JOHN EDGAR HOOVER
DIRECTOR

VWH:RSP

Department of Justice
Bureau of Investigation
Washington, D. C.

62753

March 13th, 1928.

(3

62-75

MEMORANDUM FOR THE DIRECTOR:

On the 12th inst., Mr. Williamson of Colonel Donovan's Division advised me that Colonel Donovan had the day before had a conference with Senator Walsh and had been informed by Senator Walsh that a former Agent of the Bureau by the name of BELL had at one time made an investigation of the Salt Creek Oil matter, and that he (Senator Walsh) would like very much to obtain a copy of the report of that investigation. I later saw Colonel Donovan who confirmed the above advice and requested me to make every effort to locate the report, if such a report existed, so that a copy might be immediately made and sent to Senator Walsh.

An exhaustive search of the Bureau files disclosed that a J. V. BELL had at one time been employed as a Special Agent in the Texas offices, having entered the service in 1918 and resigned in 1922, the later date being in advance of the institution of the Teapot Dome Congressional investigation in which Senator Walsh is interested. The Bureau File Room advised me that they have gone through all of the abstract cards of former Agent Bell, and have been unable to find that he either made an investigation under the title of Salt Creek Oil, or in fact under any title including oil. I so advised Mr. Williamson, and suggested that if Colonel Donovan could obtain any additional descriptive data from Senator Walsh with regard to the nature of the investigation made by Agent Bell, or the approximate date of same, the Bureau would make a further search, but that with the present data we were unable to locate such a report in the files. I further informed Col. Donovan that if necessary, I thought we could ascertain the present whereabouts of J. V. Bell if he desired the Bureau to do so. I had in mind at this time that Mr. Keith of the local office had told me that Bell was last employed at Houston, Texas, in 1924 or 1925, and he thought was still employed there by some oil company.

Respectfully,

WHughes

Mr. Hughes: Please keep in touch with Col. Donovan re this matter & take any action deemed desirable. J.E.H. 3/14/28

File

Sec 62-9613

RECORDED & INDEXED
62-19388-1
BUREAU OF INVESTIGATION
MAR 13 1928 P.M.
DEPARTMENT OF JUSTICE
Div. One
Div. Three
FILE

MAR 16 1928

13

FROM

THE ASSISTANT TO THE ATTORNEY GENERAL

TO

OFFICIAL INDICATED BELOW BY CHECK MARK

		MEMORANDUM
The Attorney General		
The Solicitor General		
Assistant Attorney General Willebrandt		
Assistant Attorney General Farnum		
Assistant Attorney General Galloway		
Assistant Attorney General Luhring		
Assistant Attorney General Marshall		
Assistant Attorney General Parmenter		62755
Director, Bureau of Investigation	✓	
Mr. Gardner		
Chief Clerk		
Assistant to Chief Clerk		
Appointment Clerk		
Mail and Files		BUR. OF INVESTIGATION MAR 23 1928 DIVISION NO. 3
Mr. Williamson		
Mr. Hardy		
Mr. Thompson		
Mr. Collins		
Mr. Lamb		
Mr. Teegarden		
Mr. Webster		
Mr. Hughes		
Miss Connor		
Mr. Benham		
Mr. Alt		
Mr. Irvine		
Mr. McAllister		
Mr. MacHugh		
Mr. Chandler		
Mr. Kenyon		
Mr. Oseas		
Mr. Mahar		62-19388
Miss Tucker		
Miss Jost		
Mrs. Towslee		

62756

UNITED STATES SENATE

March 13, 1928.

Hon. William J. Donovan,
Assistant to the Attorney General,

Dear Colonel Donovan:

After talking with you night before last, It occurred to me that we wrote to the Department some time ago, asking for a copy of the Bell report of the Salt Creek field and were informed that there was none such on file. It may be that whoever it was who advised me that it is there had in mind Bell's report on the Teapot Dome, not the Sale Creek field. His address is Detroit, Minneapolis.

Very truly yours,

T. J. WALSH

62-19283

4:40 pm

VIA POSTAL TELEGRAPH

V.H:RSP

MARCH 15, 1928

GUS T JONES
DEPARTMENT OF JUSTICE
FEDERAL BUILDING
SAN ANTONIO TEXAS

CAN YOU ADVISE PRESENT ADDRESS J V BELL FORMER AGENT THIS BUREAU LATER CHIEF SPECIAL AGENT AMERICAN RAILWAY EXPRESS SAN ANTONIO

HOOVER

RECORDED & INDEXED

62-19388-2

MAR 1 0 1928

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT

RECEIVED AT

STANDARD TIME INDICATED ON THIS MESSAGE

TELEGRAMS TO ALL AMERICA

THE MACKAY SYSTEM — POSTAL TELEGRAPH — COMMERCIAL CABLES — "THE PULSE OF THE WORLD"

CABLEGRAMS TO ALL THE WORLD

This is a full-rate Telegram or Cablegram unless otherwise indicated by signal in the check or in the address.

BLUE	DAY LETTER
NL	NIGHT LETTER
NITE	NIGHT TELEGRAM
LCO	DEFERRED
CLT	CABLE LETTER
WLT	WEEK END LETTER

(48)

BMB362 16 COLLECT GOVT

SANANTONIO TEX 15

1928 MAR 15 PM 6 51

DIRECTOR BUREAU OF INVESTIGATION

029 WASHINGTON DC

J V BELL LIVING SANANTONIO IS CHIEF SPECIAL AGENT AMERICAN RAILWAY EXPRESS COMPANY HEADQUARTERS HERE

JONES.

3

RECORDED

62-19388-3
BUREAU OF INVESTIGATION
MAR 16 1928 A. M.
DEPARTMENT OF JUSTICE
Div. Three

MAR 2 ...

Rec'd. 7:15 pm.

VIA POSTAL TELEGRAPH

JEH:ESP

MARCH 16, 1928

62-19388-1

GUS T JONES
DEPARTMENT OF JUSTICE
FEDERAL BUILDING
SAN ANTONIO TEXAS

YOUR WIRE RE J V BELL DESIRE YOU IMMEDIATELY INTERVIEW HIM ASCERTAIN IF AND WHEN HE MADE REPORT EITHER FOR THIS BUREAU OR ANOTHER DEPARTMENT OF SALT CREEK OIL FIELD ON TEAPOT DOME MATTER

HOOVER

(Underscored words in code)

RECORDED

62-19388-4
BUREAU OF INVESTIGATION
MAR 16 1928
FILE

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT

RECEIVED AT

INVESTMENT BLDG.
15th & K Sts., N. W.
Phone Main 6500

STANDARD TIME INDICATED ON THIS MESSAGE

TELEGRAMS TO ALL AMERICA

CABLEGRAMS TO ALL THE WORLD

THE MACKAY SYSTEM POSTAL TELEGRAPH COMMERCIAL CABLES "THE PULSE OF THE WORLD"

This is a full-rate Telegram or Cablegram unless otherwise indicated by signal in the check or in the address.

BLUE	DAY LETTER
NL	NIGHT LETTER
NITE	NIGHT TELEGRAM
LCO	DEFERRED
CLT	CABLE LETTER
WLT	WEEK END LETTER

Form 16 D

12 SM 40 COLLECT GOVT

GS SANANTONIO TEXAS MAR 17 28

62751

DIRECTOR BUREAU OF INVESTIGATION

WASHINGTON DC.

YOURS RE J V BELL INTERVIEWED HERE THIS MORNING HE ADVISES HAS NO RECOLLECTION EVERY MAKING REPORT THIS BUREAU OR ANY OTHER DEPARTMENT ON MATTER MENTIONED YOUR WIRE STATES LEFT SERVICE HOUSTON TEXAS MARCH OR APRIL NINETEEN TWENTY ONE

JONES 1205PM

62-19388-5

62-19388-5
BUREAU OF INVESTIGATION
MAR 17 1928 P. M.
DEPARTMENT OF JUSTICE
Div. Three

MAR 17 1928

(Underscored words in code)

VIA POSTAL TELEGRAPH

VWH:RSB

MARCH 19, 1928

WERNER HANNI
DEPARTMENT OF JUSTICE
FEDERAL BUILDING
MINNEAPOLIS MINN

AM INFORMED AGENT NAMED BELL AT ONE TIME CONDUCTED INVESTIGATION AND SUBMITTED REPORT SALT CREEK OIL FIELD OR TEAPOT DOME MATTER STOP ONLY BELL ON RECORD AS FORMER AGENT BUREAU LOCATED SAN ANTONIO STATES NEVER CONDUCTED SUCH INVESTIGATION STOP AM ADVISED BELL DESCRIBED NOW RESIDING DETROIT MINNESOTA PLEASE CONDUCT THOROUGH AND DISCREET INQUIRY ASCERTAIN IF ANY BELL THERE FORMERLY CONNECTED WITH ANY GOVERNMENT DEPARTMENT WHO MADE INVESTIGATION ABOVE DESCRIBED WIRE ANSWER

HOOVER

RECORDED

62-19388-6
BUREAU OF INVESTIGATION
MAR 19 1928 P. M.
DEPARTMENT OF JUSTICE
FILE

YWH:RSP
62-19300-7

RECORDED MAR 22 1928

March 21st, 1928.

Mr. J. V. Bell,
Special Agent,
American Railway Express Company,
P. O. Box 5725,
San Antonio, Texas.

My dear Mr. Bell:-

I have your letter of the 17th inst., inquiring as to the reasons for the inquiry made of you by Mr. Jones relative to an investigation supposed to have been conducted by you of the Salt Creek Field or Teapot Dome oil matter, and in response to your question desire to state that I was informed by the Department that Senator Walsh of Montana had advised that he had heard that an Agent by the name of Bell had made an investigation and submitted a report on this matter some time in the past, and he was desirous of obtaining a copy of the same. As the Bureau files failed to reflect a report on the matter, the inquiry was then made by Agent Jones of the San Antonio Office. No doubt the Senator has been misinformed as to the name of the Agent, or possibly he has been misinformed as to such an investigation having been made, and I want to thank you at this time for your information, and to extend to you my very best wishes.

Very truly yours,

Director.

BUREAU FILES DIVISION
MAILED
MAR 21 1928
P.M.
DEPT. OF JUSTICE

1058

AMERICAN RAILWAY EXPRESS COMPANY

(INCORPORATED)

WESTERN TEXAS DIVISION
POST OFFICE BOX 723
SAN ANTONIO, TEXAS

J. V. BELL,
SPECIAL AGENT

March 17th, 1928.

(3

62-19388

Mr. J. E. Hoover, Director,
United States Department of Justice,
Bureau of Investigation,
Washington, D. C.

BUR. OF INVESTIGATION
MAR 20 1928
DIVISION NO. 3

Dear Mr. Hoover:

Special Agent in Charge Jones of the local Bureau advises me today as to inquiry you had made in connection with any investigation conducted by myself relative to the Salt Creek and Teapot Dome Oil matter.

I believe that this investigation came up after I resigned from the Bureau and, therefore, I would have had no occasion to make any investigation in connection therewith.

I would be pleased, if consistent, to have you write me at your convenience, how my name became connected with the matter in hand.

Thanking you and with best wishes, I am

Yours very truly,

J. V. Bell

J. V. Bell,
Special Agent.

MAR 23 1928

RECORDED

JVB/g
cc GTJ

62-19388-7
BUREAU OF INVESTIGATION
MAR 20 1928 P.M.
DEPARTMENT
Div. Three

Ansr 3-21-28

V.H:RSP
62-19663-6

No.

RECORDED MAR 24 1928

March 22nd,1928.

MEMORANDUM FOR COLONEL DONOVAN
Assistant to the Attorney General

Responsive to your recent request that the Bureau ascertain whether or not an Agent by the name of Bell had made an investigation or report covering the Salt Creek Oil Field or the Teapot Dome case, you are, of course, advised of the efforts of the Bureau to locate J. V. Bell the only Agent by that name appearing at any time on the rolls of the Bureau, and that this man was located at San Antonio, Texas, but stated that he had never made any such investigation or report.

Upon receipt of the letter addressed to you by Senator Walsh, under date of March 31st, which is returned herewith, a telegram was dispatched to the Minneapolis Office of the Bureau suggesting that inquiry be made in Detroit, Minn., to determine whether or not a Mr. Bell resided at that place and if so, whether or not he had ever made such an investigation for any government department. In response to that telegram a wire was received under date of March 21st from Agent in Charge Hanni at Minneapolis, reading as follows:

> "Replying to your telegram 19th Robert K. Bell residing Detroit Lakes Minnesota was Special Assistant to Attorney General beginning 1916 at Minneapolis handling litigation involving title to land on White Earth Reservation. Transferred 1919 to Denver, Colorado, placed in charge of litigation arising with connection of Midwest Refining Company with Salt Creek Oil field Wyoming. In such position subsequent to 1919 it is believed he submitted number of reports on that matter especially irregular leases. Is now in Washington. Can be reached care of Commissioner of Indian Affairs."

A copy of the above quoted telegram was promptly sent to Mr. Williamson of your office upon its receipt. Kindly advise whether

BUREAU FILES DIVISION
MAILED
MAR 22 1928
P.M.
DEPT. OF JUSTICE

you desire any further inquiry made in connection with this matter at this time.

Very truly yours,

Director.

Encl. #77496

13

Department of Justice

TELEGRAM RECEIVED

7—1063

Minneapolis, Minn.

March 21, 1928.

Director

62

Replying to your telegram 19th Robert K. O. Bell residing Detroit Lakes Minnesota was Special Assistant to Attorney General beginning 1916 at Minneapolis handling litigation involving title to land on White Earth Reservation. Transferred 1919 to Denver, Colorado, placed in charge of litigation arising with connection of Midwest Refining Company with Salt Creek Oil field Wyoming. In such position subsequent to 1919 it is believed he submitted number of reports on that matter especially irregular leases. Is now in Washington. Can be reached care of Commissioner of Indian Affairs.

Hanni

Rec'd. 12:40

Decoded J

To Director 12:50

RECORDED

MAR 24 1928

62-19388-8

BUREAU OF INVESTIGATION

MAR 21 1928 P. M.

Div. Three

62-19388

MAR 21 1928

3/21/28

mem. 3-22-28

VEH:RGP
62-19360-9

March 24th, 1928.

RECORDED

MEMORANDUM FOR COLONEL DONOVAN
Assistant to the Attorney General

Attention Mr. Williamson:-

Supplementing my memorandum addressed to you under date of March 22nd, advising of the information received relative to the alleged investigation of a man by the name of BELL, covering the Salt Creek Oil Field and the Teapot Dome matters, I enclose herewith for your information copy of a report from the Minneapolis Office of this Bureau, submitted by Special Agent R. B. Donaldson, under date of March 21st, 1928, entitled: ROBERT C. BELL, from which you will note that Mr. Bell is now reported to be in Washington in conference with the Commissioner of Indian Affairs, Mr. Charles Burke, of the Interior Department.

Very truly yours,

Director.

Encls. #77596

BUREAU FILES DIVISION
MAILED
MAR 24 1928
P.M.
DEPT. OF JUSTICE

THIS CASE ORIGINATED AT Minneapolis, Minnesota

REPORT MADE AT:	DATE WHEN MADE:	PERIOD FOR WHICH MADE:	REPORT MADE BY:
Minneapolis, Minn.	3-21-28	3-20-28	R. B. Donaldson

TITLE:	CHARACTER OF CASE:
ROBERT C. BELL	Miscellaneous Investigation

Minneapolis File 62-558

62 - 19388.

SYNOPSIS OF FACTS:

This investigation was conducted at Detroit Lakes, Minn. upon telegraphic request of the Director to locate one Bell, who had been formerly connected with the Department and submitted reports on matters pertaining to the Salt Creek Oil Field or Tea Pot Dome matter. It was ascertained in a confidential manner that ROBERT C. BELL of Detroit Lakes, Minnesota, a former Special Assistant to the Attorney General, was apparently the man referred to. On this date the detailed information was telegraphed to the Bureau.

BUREAU OF INVESTIGATION MAR 23 1928 DIVISION NO. 3

CLOSED

REFERENCE: This investigation is predicated upon the following telegram from the Director, under date of March 19, 1928:

DETAILS: "AM INFORMED AGENT NAMED BELL AT ONE TIME CONDUCTED INVESTIGATION AND SUBMITTED REPORT SALT CREEK OIL FIELD OR TEA POT DOME MATTER STOP ONLY BELL ON RECORD AS FORMER AGENT BUREAU LOCATED SAN ANTONIO STATES NEVER CONDUCTED SUCH INVESTIGATION STOP AM ADVISED BELL DESCRIBED NOW RESIDING DETROIT MINNESOTA PLEASE CONDUCT THOROUGH AND DISCREET INQUIRY ASCERTAIN IF ANY BELL THERE FORMERLY CONNECTED WITH ANY GOVERNMENT DEPARTMENT WHO MADE INVESTIGATION ABOVE DESCRIBED WIRE ANSWER"

DETAILS:

DO NOT WRITE IN THESE SPACES

APPROVED AND FORWARDED: [signature] SPECIAL AGENT IN CHARGE	62-19388-9		RECORDED AND INDEXED: MAR 23 1928
WASHINGTON REFERENCE:	COPIES OF THIS REPORT FURNISHED TO: 3-Bureau 2-File	BUREAU OF INVESTIGATION MAR 23 1928 A.M. DEPARTMENT OF JUSTICE	CHECKED OFF:
			JACKETED: L. H. F.
		ROUTED TO: Div. Three	FILE:

RBD:MER

1 copy to Mr. Stanley 5-15-33

Copy to Mr. Williamson 3-24-28

7—1323

At Detroit Lakes, Minn.

Agent first consulted Postmaster BEN PEOPLES, who advised that the only BELL in this town who had been formerly connected with the Government was MR. ROBERT C. BELL, now an Attorney with the local firm of Dennis and Bell. This informant stated that to the best of his knowledge BELL had come here about ten years ago in connection with Indian matters, and so far as he knew, MR. BELL'S entire time had been devoted to those matters. He could furnish no further information.

C. U. LANDRUM, County Attorney of Becker County, Minnesota, who resides at this place, was approached regarding this matter and he informed Agent that he was very well acquainted with MR. ROBERT C. BELL, and had been for a number of years. He also informed Agent that he himself had been a Special Assistant to the Attorney General in years gone by, and that at one time he was an Attorney in the Department of Justice at Washington, D. C. In view of this, it is felt that the following information which MR. LANDRUM furnished,is entirely authentic:

He stated that to his knowledge MR. ROBERT C. BELL was appointed a Special Assistant to the Attorney General in 1916 and placed in charge of litigation involving titles to lands on the White Earth Indian Reservation in Minnesota. His headquarters were fixed at Minneapolis, Minnesota. He was employed in this capacity until 1919, when he was transferred under the same title, to Denver, Colorado, and placed in charge of certain litigations then existing which arose out of a situation in connection with the Midwest Refining Company with the Salt Creek Oil Fields in Wyoming. MR. BELL was stationed at Denver for several years, and during that time, according to this informant, he rendered a number of reports in connection with the then existing situation in that oil field, and a great many of these reports, it is believed, were in reference to illegal oil leases.

MR. LANDRUM is a highly respected local citizen of this town, holding a responsible position, and Agent has his assurance that he will treat the above interview entirely as a confidential matter.

It was also ascertained at the time of Agent's investigation in this town that the MR. BELL above referred to, is now an Attorney in certain suits being brought by the Chippewa Indian tribe against the Government; that he is now in Washington in conference with the Commissioner of Indian Affairs, MR. CHARLES BURKE, at the Interior Department.

The above information was on this day telegraphically conveyed to the Director in the following form:

"REPLYING YOUR TELEGRAM NINETEENTH ROBERT C BELL RESIDING DETROIT LAKES MINNESOTA WAS SPECIAL ASSISTANT TO ATTORNEY GENERAL BEGINNING NINETEEN SIXTEEN AT MINNEAPOLIS MINNESOTA HANDLING LITIGATION INVOLVING TITLES TO LANDS ON WHITE EARTH RESERVATION STOP TRANSFERRED NINETEEN NINETEEN TO DENVER COLORADO AND PLACED IN CHARGE OF LITIGATION ARISING WITH CONNECTION OF MIDWEST REFINING COMPANY WITH SALT CREEK OIL FIELD WYOMING STOP IN SUCH POSITION SUBSEQUENT TO NINETEEN NINETEEN IT IS BELIEVED HE SUBMITTED NUMBER OF REPORTS ON THAT MATTER ESPECIALLY IRREGULAR LEASES STOP IS NOW IN WASHINGTON CAN BE REACHED CARE COMMISSIONER INDIAN AFFAIRS."

C L O S E D

JOHN EDGAR HOOVER
DIRECTOR

Department of Justice

Bureau of Investigation

Washington, D. C.

VWH:RSP

March 31st, 1928.

MEMORANDUM FOR THE DIRECTOR:

Referring to our conference this morning relative to the request of the Antitrust Division for the assignment of a Special Agent to the Salt Creek Oil Field investigation, I wish to state that upon further interview with Mr. Williamson he stated that he felt he could not spare Agent Plummer from the Motion Picture Investigation, but that he thought that the present inquiry does warrant the assigment of a capable trust man and he felt that it would be necessary to use Special Agent Rhodes now in the Southwest on the Motion Picture Investigation. He further stated, however, that he would defer definite action on this case until possibly Monday, when he would further notify me.

Respectfully,

[signature] 62-19388

RECORDED

No. 5

APR 3 1928

62-19388-10
BUREAU OF INVESTIGATION
APR 3 1928 A. M.
DEPARTMENT OF JUSTICE
Div. One

ENTERPRISE ... ACCURACY

...n Herald

...MERICAN PEOPLE

The Weather

Fair today; cloudy and warmer and rain tomorrow. (See page 6.)

Entered as second-class matter at Postoffice at Washington, D. C. ... 14 pages PRICE TWO CENTS

...INCLAIR CONTRACT ...OR LIFE

MEANS SOUGHT AT COOLIDGE'S ORDER TO STOP OIL DELIVERIES

Department of Justice Studies Compact Made by Fall for Evidences of Corruption

SENATOR WALSH AIDING

Investigation Also Being Made of Midwest Refining Hold on Great Salt Creek Fields

By JOHN T. LAMBERT

Universal Service

(Copyright, 1924, by Universal Service)

Acting under direct instructions from President Coolidge, the Department of Justice is...

Play Bridge
With Wilbur C. Whitehead, famous expert. On page 4 today.

CHARACTER QUALITY — AMERICA FIRST!
The Washingt[on]
AN AMERICAN PAPER FOR ... THE ...
Vol. VI—No. 132 — EDITORIAL AND BUSINESS PHONE MAIN 5260 — Published Daily and Sunday by The Washington Times Company. — MONDAY, APRIL 2, 1928

U. S. ACTS TO BREAK S

U. S. ACTS TO VOID SINCLAIR CONTRACT

(Continued from First Page.)

Attorney General Sargent for a thorough investigation.

The department is today seeking to ascertain whether it was conceived in fraud between Fall and Sinclair. The United States Supreme Court revoked the lease of Teapot Dome to Sinclair by Fall on the ground that it was tainted with fraud and corruption.

Senator Walsh of Montana, who revealed the Teapot Dome scandal, is understood to be co-operating with the Department of Justice in its investigation of the existing Fall-Sinclair contract.

The department is known to be studying an investigation made of the Midwest Refining Company shortly after it acquired the Salt Creek field by Robert C. Bell of Detroit, former special assistant to the Attorney General.

The report of Bell's investigation alleged the Midwest obtained the rights to the Salt Creek field from dummy companies which were put in there to acquire patents. By acquiring the enormous Salt Creek field the Midwest, or Standard, it is claimed, secured almost complete control over the oil market in the Rocky Mountain area and gained a foothold which enabled it to master the competitive Mid-Continent area. Many of the independent oil companies went to the wall.

No. 5

NOT RECORDED

62-19388

62-19388

scandals is still getting Government oil at the rate of 2,000,000 barrels a year.

An investigation also is being made by the department of the methods by which the Midwest Refining Company, controlled by the Standard Oil Company of Indiana, acquired vast rights in the Government's great Salt Creek fields, adjacent to Teapot Dome. About 13,000,000 barrels a year are being taken out of the Salt Creek field, mostly by the Midwest.

LINKED WITH BLACKMER

The chairman of the Indiana Standard is Robert W. Stewart, who defiantly refused to answer certain questions in the oil scandals and is now under charges of contempt of the Senate. The chairman of the Midwest Refining Company, when the Salt Creek fields were acquired, was H. M. Blackmer, who fled to Europe and is still dodging process servers.

Fall made the contract to sell to the Sinclair Crude Oil Purchasing Company the Government's royalty oil taken out of the Salt Creek fields by the Midwest Refining Company six months after he had received $233,000 of Liberty bonds from Sinclair. The Sinclair Crude Oil Purchasing Company is controlled jointly by Sinclair and the Standard Oil Company (Indiana).

SINCLAIR'S SHARE ESTIMATED

The Sinclair Crude Oil Purchasing Company is estimated to have received about 10,000,000 barrels of the royalty oil since the contract was awarded to him by Fall in December, 1922.

The contract was renewed last month with Sinclair's company by Secretary of the Interior Hubert Work. Dr. Work sent the contract to several lawyers for investigation, and they all agreed that it must be renewed under the terms written into it by Sinclair and Fall when originally drawn.

It was Dr. Work who is believed to have called the matter to the attention of President Coolidge. The President ordered that it be sent to

(Continued on Page 2, Column 2.)

Women Use
The

2 Telephone, Main 5260 THE WASHINGTON HERALD [illegible] Paper for the American People—TUESDAY, APRIL 3, 1928 Telephone, Main 5260

Richest Oil Field Grabbed By 'Dummies,' Is Charge

U. S. PROBING ALLEGED GRAFT AT SALT CREEK

Midwest Taking 12,000,000 Barrels a Year From Wells by Fraud, Says Investigator

By JOHN T. LAMBERT
Universal Service
(Copyright, 1928, by Universal Service)

An investigation of how the Government's great Salt Creek field, containing one of the richest oil deposits ever tapped, was obtained by the Midwest Refining Company and its master, the Standard Oil Company of Indiana, is in full swing in the Department of Justice.

Upon this investigation, ordered by President Coolidge, will depend whether the United States Government shall bring suit to recover the "billion-dollar" field which, it is claimed by many experts, allows the Standard company to maintain a dominant control in the oil world.

USED DUMMIES, CHARGE

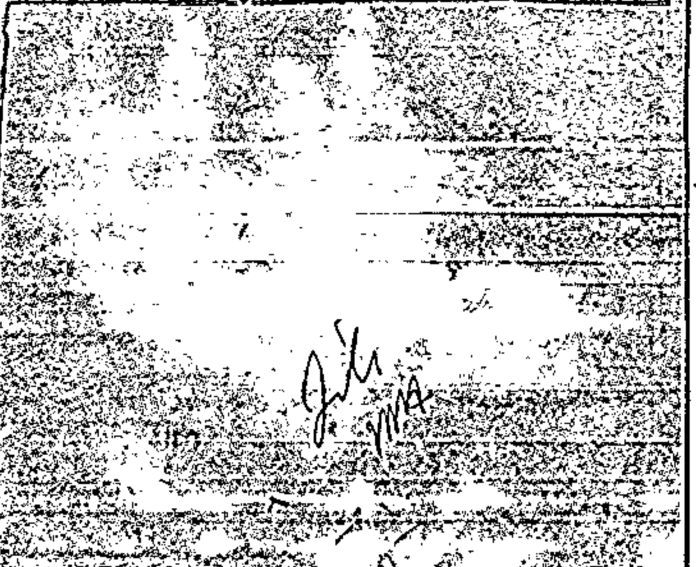
The Midwest has been taking oil out of the Government field at the rate of 12,000,000 barrels a year, according to records in the Department of the Interior.

Charges that the Midwest had obtained its "rights" in the field through "dummy" corporations were laid before the Interior Department at the time the company entered the field, it was learned by Universal Service.

These charges including an allegation that the rights were saturated with graft, were referred to the Department of Justice by Interior Department officials.

Robert C. Bell, of Detroit, who was a special counsel for Attorney General Gregory, and Palmer, and who then investigated the Midwest's rights in the Salt Creek field, has been called to Washington for conferences with the Department of Justice.

Bell, who charged in a separate memorandum seven years ago that the Teapot Dome lease granted by Fall to Sinclair was obtained through conspiracy, misrepresentation, fraud and deceit, said to Universal Service of the Salt Creek [illegible]



GRAFT IS CHARGED

"I investigated the conditions and prepared an official memorandum charging that the alleged right to lease the oil land was saturated with graft. [illegible]"

His, which the memorandum and the oral arguments which I made in a conference with John Barton Payne charged that the Midwest would obtain its lease of the oil lands through dummies put into the Government's field to hold it for the Midwest.

"Some of these locators got into rows and court fights among themselves and the evidence thus produced showed that they were controlled, financed and operated by the Midwest, according to the memorandum, which is made for the Government. Their corporation directorates overlapped. The Midwest had already obtained contracts for the purchase of their oil, which the memorandum charged was contrary to the law."

In addition to the charges contained in the Bell memorandum, the department is also known to be investigating a charge that the Midwest's lease violates a section of the general leasing act which forbids a single corporation from what amounts to a monopolistic control of the oil output of a single Government field.

NOT RECORDED

6 2 - 1938 [illegible]

No. 6

THE WASHINGTON HERALD ... Telephone, Main 5260
AMERICA FIRST!
PAPER FOR THE
SUNDAY, APRIL 1, 1928

Experts to Help Uncl...

NEW MEASURE WILL BE MADE LAWYER-PROOF

Pomerene and Roberts to Be Asked for Advice In Making Legislative Bar "Airtight"

By ARTHUR HACHTEN
Universal Service

The expert advice of Atlee Pomerene and Owen J. Roberts, special prosecutors in the oil scandal for the Government, will be sought by the House Naval Affairs Committee in drawing an "airtight" bill protecting the Naval Oil Reserves against depletion, it was learned yesterday.

A subcommittee has agreed upon a bill to give President Coolidge broad power and responsibility over the Navy's oil reserves, estimated at close to 1,000,000,000 barrels.

LOOPHOLE FEARED

But in view of the serious consequences that may follow from any loophole in the legislation, the committee determined to ask Pomerene and Roberts their views, it was said.

Revelations in the Hearst newspapers that British oil interests are scheming to deplete America's oil reserves, so that they may be left with a "corner" of the world's supply outside of this country, have stirred the naval affairs committee.

Secretary of the Navy Wilbur sounded a warning that the government is helpless to prevent depletion of the vast supply at Naval Reserve No. 1, in southern California, known as Elk Hill reserve.

Officials of the Navy Department, it is understood, will consult Pomerene and Roberts as to the plan to obtain authorization from Congress for the Secretary of the Navy, subject to the President's approval, to make contracts with private oil companies for compensatory royalty or a percentage of the oil they drain from the government's holdings.

Secretary Wilbur has submitted estimates to the committee to the effect that the Elk Hill Reserve has between 400,000,000 and 700,000,000 barrels of oil.

STANDARD IN RESERVE

[illegible] property in the heart of the reserve and tapping this vast quantity of oil. The Standard also owns almost all of the land immediately surrounding the reserve.

The company is not at present pumping oil from the pool, because of the depressed condition of the oil market, it was said. When Standard begins pumping, however, its "strategic" holdings will enable it to "take the cream" of the Government's reserve, according to Wilbur.

Pomerene will be asked for suggestions on how the Government should protect itself in such an emergency. Wilbur has suggested the authorization for compensatory royalty. Naval Affairs Committee believe that final responsibility should be vested in the President. [illegible] provision in the subcommittee bill gives the Navy Secretary, subject to presidential approval, authority to exchange Government [illegible] of the reserve for land in the [illegible] Standard Oil, with a view to consolidating the Government's holdings.

Woman Hits Auto, Fal... From Loading Platf...

Miss Rose A. McDonald, 36, [illegible] Biltmore St. N. W., suffered injuries to the head yesterday when she fell from a loading platform at Eighteenth Street and Pennsylvania Avenue Northwest and struck her head against the rear of an auto operated by Leon Shelton, 725 Twenty-third St. N. W., which was passing.

Miss McDonald was treated at the Emergency Hospital. Her injuries are thought not to be serious.

Examine Willis' Stomach, Heflin Wires His Widow

"Death Looks Peculiar," Alabaman Says, Sending Sympathy Message

"It looks mighty peculiar to me." This was the only explanation [illegible] by Senator [illegible] of Alabama [illegible]

Locher Believed Donahey Choice For Willis Seat

COLUMBUS, O., March 31.

CA... M... UIRY L...

NOT RECORDED

62-19388 No. 5

1938

against the rear of an auto operated by Leon Shelton, 725 Twenty-third St. N. W., which was passing.

Miss McDonald was treated at the Emergency Hospital. Her injuries are thought not to be serious.

in $1,500 bail for further arraignment.

NEW OIL INQUIRY LOOMS IN SENATE

(Continued from First Page.)

leased the Elk Hill (Cal.) naval reserves to Edwin L. Doheny.

The contract was renewed for another five years just recently by Secretary of Interior Hubert Work under a clause in the original contract, which gave Sinclair an option on the renewal. Work announced these facts in a letter to Senator Nye, made public yesterday.

The Work letter was written in response to an inquiry from Nye as to whether Sinclair had ever been given a contract for the [S]all Creek royalty oil and whet[her] it had been renewed.

NEW INQUIRY EXPECTED

According to information reaching the Senate Committee, the Midwest Refining Company—a subsidiary of the Standard Oil of Indiana—originally had a contract for the royalty oil obtained from the Wilson Administration. Fall terminated this contract, called for bids, received three bids, rejected all of them, and then, under a "joker" in the leasing law, negotiated a private contract with Sinclair.

By a strange coincidence, this contract was with the Sinclair Crude Oil Purchasing Company, half of which was owned by the Standard Oil of Indiana, the parent of the Midwest.

These interlocking facts, along with the known relations about the Teapot Dome transaction, aroused senatorial curiosity and probably will lead to a new oil inquiry.

EL PASO, Texas, March 31.—Attorneys taking the deposition of Albert B. Fall, former Secretary of the Interior, concerning the leasing of Government oil lands, were confident of concluding their work today. Their work has been considerably delayed by Fall's weakened condition.

Taking of Fall's testimony was resumed this morning. Dr. H. T. Safford, the former Cabinet officer's personal physician, watched his patient closely. Safford called a halt to the proceedings last night after a short session when Fall showed he was tired and weakening. It was found necessary to administer a stimulant at that time.

Proceedings are being conducted in utmost secrecy.

SPINDLER'S

Geracy
AT POPULAR PRICES
FURRIER AND TAILOR
Garments Made to Order
We Remodel and Renovate Old Ones
Furs Cleaned by Factory Method

JOHN EDGAR HOOVER
DIRECTOR

Department of Justice
Bureau of Investigation
Washington, D. C.

VWH:RSP

April 3rd, 1928.

MEMORANDUM FOR THE DIRECTOR:

62-19388

On the 27th ult., Mr. Williamson of Col. Donovan's office advised me that they had recently learned of the purpose of the inquiry of Senator Walsh relative to the report of a former Agent or employee of the Department by the name of Bell on the Salt Creek Oil Field; that since the Bureau had located the R. C. Bell and had advised that he was formerly a Special Assistant to the Attorney General, that fact had been verified by the Department records and his reports on the Salt Creek Oil investigation made in that capacity had been located, that it appears that in 1920 the Salt Creek Oil Field was leased to the Sinclair Oil Company by the government through the former Secretary of the Interior, Mr. Fall, that this lease had come up for renewal in January or February of this year and had been referred to the Department for an opinion, and the Department had approved the renewal at that time.

It further appears that there was a competing bidder for the lease of this field at the time of the renewal, who, when he learned of an award to Sinclair, immediately got in touch with Senator Walsh and charged that the Sinclair Oil Company had monopolized the trade in that particular area and had violated the terms of the original lease by acquiring the control of several competing oil companies in that area. Senator Walsh had subsequently advised Col. Donovan's Division of this matter and Mr. Williamson stated that they had already placed on the investigation two of the attorneys of that Division. He stated at that time that he desired that the Bureau endeavor to select one of itsvery best Agents,preferably a qualified Trust Agent, for the purpose of conducting a thorough investigation of this matter. I suggested at that time that the best equipped man were without doubt now assigned to the Motion Picture investigation, and that I felt one of those men shouldbe withdrawn from that investigation for the purpose of conducting this new inquiry. Mr. Williamson stated that he likewise was of this opinion, but would defer pressing his request for a day or two.

RECORDED

APR 4 1928

62-19388-11
BUREAU OF INVESTIGATION
APR 4 1928 A. M.
DEPARTMENT OF JUSTICE
Div. One

The following morning Mr. Williamson stated that when I suggested the name of Agent Plummer he felt they could not very well spare Plummer for the reason that he was so deeply connected with the Motion Picture investigation, but that he thought Agent Rhodes also assigned to the Motion Picture Investigation would be a good man for this assignment, and that he would endeavor to make arrangements whereby they could release Rhodes from the Picture investigation. No action, however, was taken at that time. I again called Mr. Williamson on April 2nd and also today and he advised me that they were still considering the matter and had no desire that the Bureau take action until definite word was received from them as to the necessity for the assignment of the Agent.

On the afternoon of the 2nd inst., Mr. Williamson requested that Special Agent Brann be authorized to assist Attorneys Kenyon and Chandler at New York, who have charge of this matter. I later ascertained from Mr. Williamson, however, that he did not propose to have Agent Brann do anything more at this time other than to collect certain information for the Attorneys at New York City, and that he does not have in mind asking for Brann's assignment to this general investigation. He stated again this afternoon, April 3rd, that he would not call on the Bureau for the assignment of Agent Rhodes or any other Agent to make the general investigation until a definite request was received from Attorneys Chandler and Kenyon at New York.

Respectfully,

WHughes

Department of Justice

Bureau of Investigation

Washington, D. C.

62-19388

April 26, 1928.

Director,
Bureau of Investigation,
Department of Justice,
Washington, D. C.

Re: SALT CREEK ROYALTY OIL INVESTIGATION.

Attention Division #3

Dear Sir:

In compliance with your instructions over the telephone this date to instruct an Accountant to confer with Mr. Chandler in Colonel Donovan's division and take up investigation of the Salt Creek Royalty Oil Investigation, I beg to advise that Accountant H. C. Ovitt was instructed this noon to confer with Mr. Chandler on this matter.

Very truly yours,

Jos. A. Genau

JOS. A. GENAU,
Supervising Accountant.

JAG:APK

L. H. F.

MAY 1 192[illegible]

RECORDED

62-19388-12
BUREAU OF INVESTIGATION
APR 27 1928 A. M.
DEPARTMENT OF JUSTICE
Div. Three

best available image

38-11333-13

RECORDED

May 5th, 1923.

MEMORANDUM FOR COLONEL DONOVAN
Assistant to the Attorney General

For your further information in connection with the request of Mr. Kenyon for the preparation of certain schedules by an Accountant of the Bureau concerning the Salt Creek Royalty Oil contract, I enclose herewith copy of a report prepared by Special Accountant H. C. Ovitt, under date of April 30th, 1923.

Very truly yours,

Director.

Encl. #77821

BUREAU OF INVESTIGATION DIVISION MAILED MAY 5 1923 DEPT. OF JUSTICE

Department of Justice

Bureau of Investigation

Washington, D. C.

May 2, 1928.

62-19388

Director,
Bureau of Investigation,
Department of Justice,
Washington, D. C.

RE: SALT CREEK ROYALTY OIL

Attention Division #3

Dear Sir:

Enclosed herewith please find the original and three copies of summary report submitted by Special Accountant H. C. Ovitt covering investigation of the Salt Creek Royalty Oil.

Very truly yours,

JOS. A. GENAU,
Supervising Accountant.

JAG:APK

RECORDED & INDEXED

62-19388-13
BUREAU OF INVESTIGATION
MAY 4 1928 A. M.
DEPARTMENT OF JUSTICE
Div. Three

JUL 12 1972
XEROXED ORIGINAL-RETAIN

REPORT ON

INVESTIGATION OF

SALT CREEK ROYALTY OIL

BUREAU OF INVESTIGATION

DEPARTMENT OF JUSTICE

MAY 1928

Washington, D.C. H.C.Ovitt

April 30, 1928 Special Accountant

MAY 7 1928 62-19388-13

MAY 4 1928 A. M.

DEPARTMENT

Div. Three

RECORDED

Approved May 2 1928 Jos. A. [illegible] Supervising Accountant

Washington, D.C.,
April 30, 1928.

J. Edgar Hoover, Director,
Bureau of Investigation,
Department of Justice,
Washington, D.C.

Sir:

Pursuant to your instructions, your accountant conferred with Messrs. W. H. Kenyon and P. R. Chandler, attorneys in the anti-trust division, with reference to the investigation of the Salt Creek Royalty Oil.

This investigation was commenced on April 27, 1928 and completed on April 30, 1928.

Mr. Chandler furnished your accountant with two statements, one prepared by the Navy Department showing the number of barrels, average price per barrel and total value of Bunker "A" fuel oil purchased by the Navy during the years 1923 to 1927, both inclusive; the other prepared by the Interior Department showing the number of barrels, average price per barrel and total value of Salt Creek crude oil sold to Sinclair Crude Oil Purchasing Company under contract of December 20, 1922 from January 1, 1923 to December 31, 1927.

Your accountant was requested to prepare two statements; (1) showing the comparison of actual cost to the Navy of Bunker "A" fuel oil with the cost if the Navy had exercised the option granted by the Mammoth Oil Company under contract of December 20, 1922 and (2) showing adjustment of first statement for Months in which total barrelage of Salt Creek royalty crude oil was insufficient to meet the Navy requirements.

SUMMARY OF FIRST STATEMENT

Year	Barrels of Bunker "A" Required by Navy	Total Payments by Navy	Total payments if option had been exercised
1923	2,499,638.43	$ 3,831,543.79	$ 4,239,964.47
1924	2,811,132.97	4,885,878.54	4,451,327.41
1925	1,812,688.67	3,098,963.92	3,316,777.16
1926	1,790,364.67	2,944,765.59	3,847,463.38
1927	2,480,553.54	4,054,574.78	3,601,013.37
	11,394,378.28	$18,815,726.62	$19,456,545.79

If the Navy had exercised the option granted by the Mammoth Oil Company, it would have paid $640,819.17 more for its oil requirements for the five years 1923 to 1927 inclusive, than was paid by purchasing the oil in the market.

SUMMARY OF SECOND STATEMENT

Year	Barrels of Bunker "A" Required by Navy	Total payments By Navy	Total adjusted payments if option had been exercised
1923	2,499,638.43	$ 3,831,543.79	$ 4,239,964.47
1924	2,811,132.97	4,885,878.54	4,475,844.90
1925	1,812,688.67	3,098,963.92	3,316,777.16
1926	1,790,364.67	2,944,765.59	3,772,212.27
1927	2,480,553.54	4,054,574.78	3,647,306.08
	11,394,378.28	$18,815,726.62	$19,452,104.88

In the months where the number of barrels of royalty oil available was insufficient to meet the Navy requirements, the average royalty price per barrel was used for number of barrels of Salt Creek crude oil available, and market price per barrel was used for the number of barrels the Navy requirements exceeded the royalty oil available. Based on this computation, the Navy would have paid an amount of $636,378.26 more for its oil requirements had it exercised

the option granted by the Mammoth Oil Company than it paid for oil by purchasing the entire requirements on the market.

The detailed statements prepared by your accountant have been submitted to Messrs. Kenyon and Chandler.

Respectfully,

H.C.Ovitt

H.C.Ovitt
Special Accountant

JEH: O'B

May 10, 1928. 62-19347

MAY 11 1928

MEMORANDUM FOR COLONEL DONOVAN.

Attention Mr. Kenyon.

Confirming my telephone conversation with you today, I have learned that the Western Union Telegraph Company does not retain copies of telegrams for more than one year. Under the rules of the Interstate Commerce Commission Telegraph Companies are required to retain copies of telegrams at least one year.

In regard to the Postal Telegraph Cable Company, I am advised that they retain copies of all prepaid telegrams for one year and copies of all charge account telegrams for three years.

Both the Western Union and Postal Telegraph Companies attach copies of the Government messages to the vouchers submitted to the Government for payment with the result that such copies would probably be on file in the Comptroller General's office.

Very truly yours,

Director.

Salt creek oil matter

RECORDED

62-19348-14
BUREAU OF INVESTIGATION
MAY 11 1928 A.M.
DEPARTMENT OF JUSTICE
FILE

BUREAU FILES DIVISION
MAILED
MAY 10 1928
P.M.
DEPT. OF JUSTICE

2

Y HIREP
62-19388-15

RECORDED

May 11th, 1928.

MAY 12 1928

MEMORANDUM FOR COLONEL DONOVAN
Assistant to the Attorney General

I wish to acknowledge receipt of your memorandum of the 10th inst., with regard to the SALT CREEK OIL FIELD matter, and to advise you that immediately upon receipt of your memorandum a telegram was dispatched to the El Paso, Texas, Office of this Bureau, directing that prompt steps be taken to ascertain if F. L. Boughner is still Manager of the Western Union Telegraph office at Three Rivers, N. M., and if not then to determine his present whereabouts and to advise this office by wire. I also immediately dispatched a telegram to the Omaha Office of the Bureau, instructing Special Agent Hardy to report to this office on Thursday, May 17th.

It is understood that the second paragraph of your memorandum may be disregarded; that relating to the report of Agent Snyder on the Atlantic Refining Company in 1924. It is noted that the second paragraph is interlined and I am further advised by Mr. Hughes that he confirmed the fact through a telephone conversation with Mr. Kenyon that the report in question had been located and no further attention need be paid to that particular request.

I will be very glad to advise you promptly upon receipt of word from the El Paso Office regarding the present whereabouts of F. L. Boughner.

Very truly yours,

BUREAU FILES DIVISION
MAILED
MAY 11 1928
P.M.
DEPT. OF JUSTICE

Director.

3

Department of Justice

Office of the Assistant to the Attorney General

Washington

May 10, 1928.

MEMORANDUM FOR MR. HOOVER,
DIRECTOR, BUREAU OF INVESTIGATION

Confirming the conversation of my assistants, Mr. Chandler and Mr. Kenyon, with you this morning, the following information is desired in connection with our investigation of the Salt Creek matters:

1. Our information is that F. L. Boughner was Manager of the Western Union Telegraph office at Three Rivers, N. M., from 1921 at least until February, 1924, and possibly thereafter. Will you ascertain, without directly approaching Mr. Boughner, whether he still occupies this position, and if not what his present whereabouts are. It is requested that this information be furnished at your earliest possible convenience.

2. I believe that a report was made by Special Agent L. T. Snyder on the Atlantic Refining Company in 1924, containing information as to a trip to Mexico made by Sinclair, Fall, Doheny and others. Can you send us this from your files?

3. I understand that Special Agent Hardy will be asked to come to Washington to confer with Messrs. Kenyon and Chandler, if possible, on Thursday, May 17th, or Friday, May 18th.

MAY 1 1928 RECORDED

62-19388-15
INVESTIGATION
MAY 12 1928
DEPARTMENT OF JUSTICE
Div. Three

William J. Donovan

WILLIAM J. DONOVAN,
The Assistant to the Attorney General.

ans. 5-11-28

VIA POSTAL TELEGRAPH

VCH:ESP

MAY 10, 1928

LOUIS DEMETTE
DEPARTMENT OF JUSTICE
FEDERAL BUILDING
EL PASO TEXAS

DESIRE YOU IMMEDIATELY AND CONFIDENTIALLY ASCERTAIN WHETHER OR NOT F L BOUGHNER WHO WAS MANAGER WESTERN UNION TELEGRAPH COMPANY AT THREE RIVERS IN NINETEEN TWENTY ONE STILL OCCUPIES THAT POSITION IF NOT THEN ENDEAVOR IMMEDIATELY ASCERTAIN HIS PRESENT WHEREABOUTS AND ADVISE BY WIRE INQUIRY SHOULD BE MADE IN SUCH MANNER AS TO NOT REACH SUBJECT THEREOF

HOOVER

(Underscored words in code)

RECORDED & INDEXED

62-19388-16

62-19834-4

BUREAU OF INVESTIGATION

MAY 11 1928 A. M.

DEPARTMENT OF JUSTICE

62

No. 9

VIA POSTAL TELEGRAPH

V H:RSP

MAY 10, 1928

H L SCOTT
DEPARTMENT OF JUSTICE
FEDERAL BUILDING
OMAHA NEBRASKA

INSTRUCT AGENT HARDY ENROUTE YOUR OFFICE REPORT

HERE TEMPORARY SPECIAL ASSIGNMENT MORNING SEVENTEENTH

INSTANT ADVISE

HOOVER

RECORDED

62-19388-17

~~66-1766-237~~

BUREAU OF INVESTIGATION

MAY 11 1928 A.M.

DEPARTMENT

FILE

No. 8

MAY 10 19

VIA POSTAL TELEGRAPH

VWH:RSP
~~66-1766-238~~
62-19388-18

MAY 11, 1928

H L SCOTT RECORDED
DEPARTMENT OF JUSTICE
FEDERAL BUILDING
OMAHA NEBRASKA

YOUR WIRE INSTRUCT HARDY UPON ARRIVAL REPORT HERE MORNING

SEVENTEENTH INSTANT

HOOVER

MAY 11 1928

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT.

RECEIVED AT

INVESTMENT BLDG.
15th & K Sts., N.W.
Phone Main 6600-Br. 7

STANDARD TIME INDICATED ON THIS MESSAGE

TELEGRAMS TO ALL AMERICA

CABLEGRAMS TO ALL THE WORLD

This is a full-rate Telegram or Cablegram unless otherwise indicated by signal in the check or in the address.

BLUE	DAY LETTER
NL	NIGHT LETTER
NITE	NIGHT TELEGRAM
LCO	DEFERRED
NLT	CABLE LETTER
WLT	WEEK END LETTER

Form 16 DBI

20 ~~SN 73~~ ~~COLLECT~~

(3

OMAHA NEB. MAY 11 28

DIRECTOR BUREAU OF INVESTIGATION,

WASHN DC.

REFERENCE YOUR WIRE INSTRUCTING AGENT HARDY ENROUTE THIS OFFICE REPORT WASHINGTON SPECIAL ASSIGNMENT ETC STOP AGENT HARDY NOT YET ARRIVED BUT LETTER RECEIVED FROM NEWORLEANS OFFICE THIS AM ENCLOSING SUBPOENA CALLING FOR APPEARANCE AGENT HARDY BEFORE UNITEDSTATES COURT WESTERN DISTRICT OF LOUISIANA MAY TWENTY FIRST IN CASES UNITEDSTATES VS JAMES MOTHERSHED AND UNITEDSTATES VS ASA P CRANE AND WHICH LETTER ADVISED UNITEDSTATES ATTORNEY SHREVEPORT LOUISIANA REGARDS ATTENDANCE AGENT HARDY NECESSARY STOP ADVISE

SCOTT 1205PM

62-19388-1

~~66-1766-238~~ 238

BUREAU OF INVESTIGATION
MAY 1928
DIVISION

RECORDED

BUREAU OF INVESTIGATION
MAY 11 1928 P. M.
DEPARTMENT OF JUSTICE

Div. Five
Three

FILED

MAY 11 192

POSTAL TELEGRAPH - COMMERCIAL CABLES
CLARENCE H. MACKAY, PRESIDENT
RECEIVED AT
STANDARD TIME INDICATED ON THIS MESSAGE
TELEGRAMS TO ALL AMERICA
THE MACKAY SYSTEM POSTAL TELEGRAPH COMMERCIAL CABLES "THE PULSE OF THE WORLD"
CABLEGRAMS TO ALL THE WORLD
This is a full-rate Telegram or Cablegram unless otherwise indicated by signal in the check or in the address.

BLUE	DAY LETTER
NL	NIGHT LETTER
NITE	NIGHT TELEGRAM
LCO	DEFERRED
NLT	CABLE LETTER
WLT	WEEK END LETTER

CHB251 25 COLLECT GOVT

3 NOTED D.C. J7

OMAHA NEBR 11

62750 1928 MAY 11 PM 6 15

DIRECTOR

012 BUREAU OF INVESTIGATION DEPT OF JUSTICE WASHINGTON DC

SPECIAL AGENT HARDY ARRIVE OMAHA FOUR THIRTY FIVE PM TODAY STOP

HAVE INSTRUCTED HIM REPORT WASHINGTON MORNING SEVENTEENTH AS PER

YOUR WIRES OF TODAY

SCOTT.

62-19388

RECORDED

62-19388-18
BUREAU OF INVESTIGATION
MAY 12 1928 A.M.
DEPARTMENT OF JUSTICE
Div. Five
Div. Three

Rec'd. 6:35 pm.

V JH:CSP
~~62-19354-3~~
62-19388-19

RECORDED

May 11th, 1928.

MEMORANDUM FOR COLONEL DONOVAN
Assistant to the Attorney General

Attention Mr. Chandler:-

Referring further to your memorandum of the 10th inst., and supplementing my memorandum of even date, in connection with the SALT CREEK OIL FIELD matter, I beg to advise that a telegram has been received from the El Paso, Texas, office of the Bureau stating that Fred L. Boughner, telegraph operator in 1921 at Three Rivers, N. M., is now telegraph operator for the Southern Pacific Railroad at Carrizozo, N. M.

Very truly yours,

Director.

BUREAU FILES DIVISION
MAILED
MAY 11 1928
P.M.
DEPT. OF JUSTICE

Department of Justice

TELEGRAM RECEIVED

7—1003

El Paso, Texas. 62

May 11, 1928.

Director

Yours Fred L. Boughner telegraph operator in 1921 at Three Rivers, New Mexico, is now telegraph operator for Southern Pacific Railroad Carrizozo, New Mexico.

De Nette.

Rec'd. 1:10

Decoded J

To Director 1:20

RECORDED & INDEXED

62-19388-19

~~62-19834-2~~

BUREAU OF INVESTIGATION

MAY 11 1928 P. M.

DEPARTMENT OF JUSTICE

Div. Three

MAY 11 192

Memo to Cl Dunn

5-11-28

THIS CASE ORIGINATED AT El Paso, Texas.

REPORT MADE AT:	DATE WHEN MADE:	PERIOD FOR WHICH MADE:	REPORT MADE BY:
El Paso, Texas.	5-11-28	5-10-28	Louis DeNette

TITLE: FRED L. BOUGHNER (Albert B. Fall, et al.)

CHARACTER OF CASE: REQUEST TO LOCATE

BUREAU OF INVESTIGATION MAY 15 1928

BEGINNING INVESTIGATION El P. No. 62-242 62-19388

SYNOPSIS OF FACTS: Fred L. Boughner, who was telegraph operator and station agent for the El Paso & Southwestern Railroad Company at Three Rivers, N.M., in 1921, is now day telegraph operator for the Southern Pacific Railroad Company at Carrizozo, N.M. While station agent at Three Rivers, N.M., he handled incoming and outgoing Western Union Telegraph Company messages, but in reality he was station agent for and employed by the El Paso & Southwestern Railroad Company.

CLOSED.

DETAILS: At El Paso, Texas.

REFERENCE: Coded telegram 5-10-28 from the Director.

Under the instructions to ascertain the present whereabouts of Mr. Boughner (pronounced Bonner) without Boughner knowing of the inquiry, Agent called Howard Beacham, Federal Prohibition Officer and former sheriff at Alamogordo, New Mexico, which is close to Three Rivers, As sheriff, Beacham knew and knows everybody in that part of the state. He stated that Boughner, whom he knew very well in 1921 when station agent at Three Rivers, New Mexico, for the El Paso & Southwestern Railroad Company, is now day telegraph operator for the Southern Pacific Railroad Company at Carrizozo, New Mexico. (About three years ago the Southern Pacific took over the El Paso & Southwestern.)

The fact that Boughner is now at Carrizozo, New Mexico, was confirmed at El Paso, Texas, through the chief dispatcher for the Southern Pacific Railroad Company. Inquiry of the chief dispatcher was made through a third person.

Telegram was sent the Director 5-11-28 giving the information.

C L O S E D.

DO NOT WRITE IN THESE SPACES

APPROVED AND FORWARDED: DeNette SPECIAL AGENT IN CHARGE

62-19388-20

RECORDED AND INDEXED: MAY 15 1928

BUREAU OF INVESTIGATION A.M. MAY 15 1928 DEPARTMENT OF JUSTICE

CHECKED OFF:

JACKETED: No. 1

COPIES OF THIS REPORT FURNISHED TO:

Bureau-3
File-2.

Dell/gm

ROUTED TO: Div. Two

FILE

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H MACKAY PRESIDENT

RECEIVED AT

STANDARD TIME INDICATED ON THIS MESSAGE

TELEGRAMS TO ALL AMERICA

CABLEGRAMS TO ALL THE WORLD

This is a full-rate Telegram or Cablegram unless otherwise indicated by signal in the check or in the address

BLUE	DAY LETTER
NL	NIGHT LETTER
NITE	NIGHT TELEGRAM
LCO	DEFERRED
NLT	CABLE LETTER
WLT	WEEK END LETTER

CH8150 15 COLLECT GOVT NITE.

1928 MAY 14 PM 2 36

OMAHA NEBR 14

DIRECTOR

BUREAU OF INVESTIGATION DEPARTMENT OF JUSTICE WASHINGTON DC

SPECIAL AGENT S W HARDY LEAVING OMAHA SIX EIGHT PM TODAY FOR WASHINGTON DC

SCOTT.

BUR. OF INVESTIGATION MAY 15 1928 DIVISION

RECORDED

62-19388 MAY 16 1928

BUR. OF INVESTIGATION CHIEF CLERK MAY 15 1928

62-19388-20X

BUREAU OF INVESTIGATION

MAY 15 1928 A. M.

DEPARTMENT OF JUSTICE

Div. Five

Div. Three

MAY 15 1928

VIA POSTAL TELEGRAPH

62-19388

VWH: SP

MAY 15, 1928

LOUIS DeNETTE
DEPARTMENT OF JUSTICE
FEDERAL BUILDING
EL PASO TEXAS

REFER EXCHANGE TELEGRAMS MAY TENTH ASCERTAIN CONFIDENTIALLY DATE FRE [illegible] GO GHMER LEFT THREE RIVERS AND NAME OPERATOR OR OPERATORS WHO SERVED THREE RIVERS SINCE THAT DATE WIRE ANSWER

HOOVER

(underscored words in code)

RECORDED & INDEXED

RECORDED

62-19388-21
BUREAU OF INVESTIGATION
MAY 15 1928 P.M.
DEPARTMENT OF JUSTICE
FILE

MAY 15 1928

F-H-I-R
62-19300-22

RECORDED

May 16th, 1928.

MEMORANDUM FOR COLONEL DONOVAN
Assistant to the Attorney General

Attention Mr. Chandler:-

For your further information in connection with the SALT CREEK OIL FIELD matter and particularly with reference to Fred L. Boughner former telegraph operator at Three Rivers, N. M., there is enclosed herewith copy of a telegram this day received from the El Paso, Texas, office of the Bureau.

Very truly yours,

Director.

Encls. 77861

BUREAU FILES DIVISION
MAILED
MAY 16 1928
P.M.
DEPT. OF JUSTICE

3

Department of Justice

TELEGRAM RECEIVED

GOVERNMENT PRINTING OFFICE 7—1063

El Paso, Tex. May 16, 1928.

Director

Yours Fred L. Boughner was Railroad agent and telegraph operator Three Rivers, N.M. from 1921 to August, 1925. Thereafter following persons held position: M.C. Christerson, August 1925 to September, 1925; A. Bennett, September 1925 to December 1925; E. A. Harkey, December 2, 1925 to December 26, 1925; B. S. Burns, December 1925 to October 1926; L. Flynn, October, 1926 to November, 1926; B. S. Burns from November 1926 to February 1927; J.M. Shelton part of February 1927; B.S. Burns, February 1927 to May 1927; M. Neel, May 1927 to July 1927; B.S.Burns, July 1927 to November 1927; M. Neel part of November 1927; B.S.Burns November 1927 to date. In addition to foregoing there were at times second and third trick operators. Complete list all operators with date service and present addresses, where known, being mailed. Information obtained without disclosing purpose of same.

DeNette

Rec'd. 8:50

Decoded J

To Director 9:15

Salt Creek Oil matter

62-19388

RECORDED
62-19388-22
BUREAU OF INVESTIGATION
MAY 16 1928 A.M.
DEPARTMENT OF JUSTICE
Div. Three

Copy to Mr. Chandler 5/16/28

16

Department of Justice

Bureau of Investigation

El Paso, Texas,
May 16, 1928.

BUR. OF INVESTIGATION
MAY 19 1928
DIVISION NO. 3

62-19388

Director,
Bureau of Investigation,
Department of Justice,
Washington, D. C.

Dear Sir:

Reference is made to your telegram of May 15 and my night message of same date concerning the identity of telegraph operators stationed at Three Rivers, N.M., from the time of Fred L. Boughner in 1921 to date. Attached hereto is a complete list, with dates and present addresses where known, of all station agents and telegraph operators at Three Rivers, N.M., from January, 1921, to May, 1928.

The list shows that at times there was only one, sometimes two and occasionally three operators stationed there. The town of Three Rivers, N.M., consists of little else than a railroad station and normally only one agent, who combined all duties pertaining to the railroad, telegraph and express companies, would be stationed there. However, during periods of heavy cattle or fruit shipments it appeared necessary to keep the station open all the time and this accounts for two and three operators there at one time.

The information on the attached sheets came from the official records of the Southern Pacific Railroad company through Clarence E. Dunn, assistant chief clerk in the general superintendent's office at El Paso, Texas. I approached Mr. Dunn under pretext of investigating thefts from interstate express packages, stating these had occurred in the vicinity of Three Rivers, N.M., for several years past, and I desired the names of the agents and operators stationed there in order to inquire of them if they had seen certain suspicious persons at Three Rivers. I am quite sure Mr. Dunn thought there was nothing extraordinary in being asked to furnish these names, as we frequently get such co-operation from railroad companies.

Respectfully yours,

Louis De Nette

Copy to Col. Donovan
5-21-28

Louis De Nette,
Special Agent in Charge.

62-19388-23
BUREAU OF INVESTIGATION
MAY 19 1928 P. M.
DEPARTMENT OF JUSTICE
Div. Three
FILE
RECORDED

DeN:bg
Enc.

LIST OF AGENTS AND OPERATORS OF FORMER EL PASO & SOUTHWESTERN RAILROAD COMPANY, NOW SOUTHERN PACIFIC RAILROAD COMPANY, AT THREE RIVERS, N.M., FROM JANUARY, 1921, TO MAY, 1928.

---oooOooo---

Period	Agt. & Opr. 8 AM to 4 PM	Operator 4 PM - 12 M.	Operator 12 M. - 8 AM.
Jan.1921 to June 1921	Fred L.Boughner	H.J.Maurice	R.J.Vaughn
June 1921 to Sept. 1921	Fred L.Boughner	H.J.Maurice	None
Sept.1921 to Nov. 1921	Fred L.Boughner	None	None
Nov. 1921 to Dec. 1921	O.W.Downing	None	None
Dec. 1921 to June 1922	Fred L.Boughner	None	None
June 1922 to July 1922	Fred L.Boughner	H.J.Maurice	H.E.Ames
July 1922 to Sept. 1922	J.M.Shelton	None	None
Sept. 1922 to Jan. 1923	Fred L.Boughner	None	None
Jan. 1923 to Feb. 1923	H.Cusack	None	None
Feb. 1923 to May 1923	Fred L.Boughner	None	None
May 1923 to June 1923	W.A.Knapp	Mrs.R.T.Vaughan	C.C.Clow
June 1923 to Feb. 1924	Fred L.Boughner	None	None
Feb. 1924 to Mar. 1924	E.D.Gumm	None	None
Mar. 1924 to May 1924	H.Cusack	None	None
May 1924 to July 1924	A.Bennett	C.C.Clow	E.S.Baker
July 1924 to Sept. 1924	E.W.Neel	None	None
Sept. 1924 to Nov. 1924	A.Bennett	None	None
Nov. 1924 to Aug. 1925	Fred L. Boughner	E.A.Harkey	G.Devine
Aug. 1925 to Sept. 1925	M.C.Christerson	None	None
Sept. 1925 to Dec. 1925	Alex Bennett	None	None
Dec. 1925 to Oct. 1926	B.S.Burns	W.R.Sonnenmeyer	None
Oct. 1926 to Nov. 1926	Luther Flynn	None	None
Nov. 1926 to May 1927	B.S.Burns	None	E.W.Neel
May 1927 to July 1927	Mrs. M.Neel	None	E.W.Neel
July 1927 to May 1928	B.S.Burns	Mrs. M.Neel	J.F.Laverty

---oooOooo---

KNOWN ADDRESSES AS OF MAY, 1928.

Agents and Operators First Trick (8 AM to 4PM)

FRED L. BOUGHNER, agent, Southern Pacific Railway at Carrizozo, N.M.
O.W.DOWNING, agent, Southern Pacific Railway at Corona, N.M.
J.M.SHELTON, operator, Southern Pacific Railway at Corona, N.M.
H. CUSACK, out of service; whereabouts unknown.
W.A.KNAPP, out of service; whereabouts unknown.
E.D.GUMM, on leave; last address 1242 South York St., Denver, Colo.
ALEX BENNETT, agent, Southern Pacific Railway at Campana, N.M.

Agents and Operators First Trick (8 AM to 4 PM.) (Continued)

E.W.NEEL, Three Rivers, N.M.
M.C.CHRISTERSON, agent, Southern Pacific Railway at Santa Rosa, N.M.
B.S.BURNS, agent, Southern Pacific Railway at Three Rivers, N.M.
LUTHER FLYNN, agent, Southern Pacific Railway at Vaughan, N.M.
MRS. M. NEEL, Three Rivers, N.M.

---oooOooo---

Agents and Operators Second Trick (4 PM to 12 M.)

H.J.MAURICE, out of service, whereabouts unknown.
MRS. R.T.VAUGHAN, out of service, supposed be Los Angeles.
C.C.CLOW, out of service, whereabouts unknown.
E.A.HARKEY, agent, Southern Pacific Railway at Oscura, N.M.
W.R.SONNENMEYER, out of service, whereabouts unknown.
MRS. M. NEEL, at Three Rivers, N.M.

---oooOooo---

Agents and Operators Third Trick (12 M to 8 AM.)

R.J.VAUGHN, out of service, whereabouts unknown.
H.E.AMES, out of service, whereabouts unknown.
C.C.CLOW, out of service, whereabouts unknown.
B.S.BAKER, out of service, whereabouts unknown.
G.DEVINE, out of service, whereabouts unknown.
E.W.NEEL, at Three Rivers, N.M.
J.F.LAVERTY, out of service, supposed be Los Angeles.

---oooOooo---

VIA POSTAL TELEGRAPH

V/H:RSP

MAY 18, 1928

LOUIS DeNETTE
DEPARTMENT OF JUSTICE
FEDERAL BUILDING
EL PASO TEXAS

REFER RECENT EXCHANGE TELEGRAMS ASCERTAIN IMMEDIATELY AND ADVISE WHETHER FACILITIES FOR PHOTOSTATING EXIST AT CARRIZOZO NM IF NOT THEN NEAREST POINT WHERE SUCH WORK MAY BE DONE ALSO ADVISE WHAT HOTEL ACCOMMODATIONS AVAILABLE AT OR NEAR CARRIZOZO

HOOVER

MAY 18 1928

RECORDED

62-19388-24

~~66-54-97~~

BUREAU OF INVESTIGATION

MAY 18 1928 P. M.

DEPARTMENT OF JUSTICE

FILE

V.H:HP
62-19388-28

MAY 22 1928

RECORDED

May 21st, 1928.

MEMORANDUM FOR COLONEL DONOVAN
Assistant to the Attorney General

Attention Mr. Kenyon:-

With further reference to your request for information with regard to the whereabouts of Fred L. Boughner, former telegraph operator at Three Rivers, N. M., I enclose herewith for your information copy of a letter addressed to this office by Special Agent in Charge Louis DeNette at El Paso, Texas, under date of May 16th, which has attached a list of Agents and Operators of former El Paso & Southwestern Railroad Company, now Southern Pacific Railroad Company at Three Rivers, N. M., from January 1921 to May 1928.

Very truly yours,

Director.

Encls. #101416

BUREAU FILES DIVISION
MAILED
MAY 21 1928
P.M.
DEPT. OF JUSTICE

No. 1

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT.

RECEIVED AT

STANDARD TIME INDICATED ON THIS MESSAGE

TELEGRAMS TO ALL AMERICA

THE MACKAY SYSTEM — POSTAL TELEGRAPH — COMMERCIAL CABLES — "THE PULSE OF THE WORLD"

CABLEGRAMS TO ALL THE WORLD

This is a full-rate Telegram or Cablegram unless otherwise indicated by signal in the check or in the address.

BLUE	DAY LETTER
NL	NIGHT LETTER
NITE	NIGHT TELEGRAM
LCO	DEFERRED
NLT	CABLE LETTER
WLT	WEEK END LETTER

1928 MAY 18 PM 6 21

18

NA563 20 COLLECT GOVT

3

ELPASO TEX 18

DIRECTOR BUREAU OF INVESTIGATION

024 DEPARTMENT OF JUSTICE WASHINGTON DC

NO FACILITIES AT CARRIZOZO FOR PHOTOSTATING HOTEL ACCOMMODATIONS AMPLE NEAREST PHOTOSTATING IS AT ALAMOGORDO FIFTY MILES SOUTH OF CARRIZOZO

DENETTE.

BUR. OF INVESTIGATION MAY 23 1928 DIVISION NO. 3.

RECORDED 62-19388-25

~~66-54-918~~

BUREAU OF INVESTIGATION

MAY 19 1928 A. M.

DEPARTMENT OF JUSTICE

Div. Three

Mr. Kenyon & Col. Donovan
Donovan advised
5/19/28

MAY 19 1928

Recd.
6:45 pm

No. 5

1926
1:25 pm

VIA POSTAL TELEGRAPH

VWH:RSP

MAY 21, 1928.

LOUIS DeNETTE
DEPARTMENT OF JUSTICE
FEDERAL BUILDING
EL PASO TEXAS

62-19388

SPECIAL ASSISTANT TO THE ATTORNEY GENERAL W HOUSTON KENYON WILL ARRIVE CARRIZOZO NM SEVEN THREE AM TUESDAY TWENTY NINTH INSTANT DESIRE YOU HAVE AGENT MEET HIM ON ARRIVAL AND ARRANGE RENDER ALL NECESSARY ASSISTANCE MATTER CONNECTION ~~[illegible]~~ Means EXCHANGE TELEGRAMS

HOOVER

RECORDED
62-19388-26
BUREAU OF INVESTIGATION
MAY 22 1928 A. M.
DEPARTMENT OF JUSTICE
FILE

Form 1201 S

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable sign above or preceding the address.

WESTERN UNION

NEWCOMB CARLTON, PRESIDENT J. C. WILLEVER, FIRST VICE-PRESIDENT

SIGNS
DL = Day Letter
NM = Night Message
NL = Night Letter
LCO = Deferred Cable
CLT = Cable Letter
WLT = Week-End Letter

The filing time as shown in the date line on full-rate telegrams and day letters, and the time of receipt at destination as shown on all messages, is STANDARD TIME.

Rec'd at Commercial Nat'l Bank Bldg., 14th & G Sts., N. W. Washington, D. C. ALWAYS OPEN

DA296 34 NL COLLECT GOVT=ELPASO TEX 22 1928 MAY 22 PM 8 13

L3

DIRECTOR=

BUREAU OF INVESTIGATION DEPARTMENT OF JUSTICE

WASHINGTON DC=

YOURS MAY TWENTY FIRST WILL MEET ASSISTANT ATTORNEY GENERAL KENYON AT CARRIZOZO NEWMEXICO MAY TWENTY NINTH ASCERTAIN NATURE ASSISTANCE DESIRED BY HIM ARRANGE GIVE IT PERSONAL ATTENTION OR ELSE ASSIGN TO COMPETENT AGENT=

DE NETTE.

MAY 28

62-19388-27
BUREAU OF INVESTIGATION
MAY 23 1928 A. M.
DEPARTMENT OF JUSTICE
Div. Three
NO. 5

Mr. Chandler
acknowledged 5/23/28
19388
RECORDED

MAY 23 1928

PATRONS ARE REQUESTED TO FAVOR THE COMPANY BY CRITICISM AND SUGGESTION CONCERNING ITS SERVICE

1201 S

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable sign above or preceding the address.

WESTERN UNION

NEWCOMB CARLTON, PRESIDENT — J. C. WILLEVER, FIRST VICE-PRESIDENT

SIGNS

DL = Day Letter
NM = Night Message
NL = Night Letter
LCO = Deferred Cable
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The filing time as shown in the date line on full-rate telegrams and day letters, and the time of receipt at destination as shown on all messages, is STANDARD TIME.

Rec'd at Commercial Nat'l Bank Bldg., 14th & G Sts., N. W. Washington, D. C. ALWAYS OPEN

DA87 13 GOVT COLLECT=ELPASO TEX 28 917A   1928 MAY 28 AM 11 29

DIRECTOR=BUREAU OF INVESTIGATION DEPARTMENT OF JUSTICE
WASHINGTON DC=

LEAVING ELPASO TWELVE THIRTY TODAY FOR CARRIZOZO NEWMEXICO
MEET SPECIAL ASSISTANT KENYON=

DENETTE.

RECORDED

62-19388-28

BUREAU OF INVESTIGATION
MAY 28 1928 P. M.
DEPARTMENT OF JUSTICE

Div. Five
Div. Three
FILE

BUREAU OF INVESTIGATION MAY 1928

CHIEF CLERK BUREAU OF INVESTIGATION MAY 30 1928

MAY 28 1928

THE QUICKEST, SUREST AND SAFEST WAY TO SEND MONEY IS BY TELEGRAPH OR CABLE

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT.

RECEIVED AT

STANDARD TIME INDICATED ON THIS MESSAGE

TELEGRAMS TO ALL AMERICA

CABLEGRAMS TO ALL THE WORLD

THE MACKAY SYSTEM POSTAL TELEGRAPH COMMERCIAL CABLES "THE PULSE OF THE WORLD"

This is a full-rate Telegram or Cablegram unless otherwise indicated by signal in the check or in the address.

BLUE	DAY LETTER
NL	NIGHT LETTER
NITE	NIGHT TELEGRAM
LCO	DEFERRED
NLT	CABLE LETTER
WLT	WEEK END LETTER

(41)

CH865 13 COLLECT GOVT

PM 1 44

ELPASO TEX 30

DIRECTOR BUREAU OF INVESTIGATION 048

DEPARTMENT OF JUSTICE WASHINGTON DC

RETURNED ELPASO LAST NIGHT FROM CARRIZOZO NM WHERE ASSISTED

SPECIAL ASSISTANT KENYON

DENETTE,

NOTED

BUR. OF INVESTIGATION MAY 31 1928 DIVISION NO. 3

RECORDED

62-19388

MAY 31 1928

62-19388-29

BUREAU OF INVESTIGATION

MAY 31 1928 A. M.

DEPARTMENT OF JUSTICE

Div. Five

Div. Three

FILE

CHIEF CLERK BUR. OF INVESTIGATION MAY 31 1928

Department of Justice

Bureau of Investigation

Post Office Box #70
Wall Street Station
New York, New York

McK-F

May 29, 1928

62-19388

BUR. OF INVESTIGATION
JUN
1928
DIVISION NO. 3

Director,
Bureau of Investigation,
Department of Justice,
Washington, D.C.

Dear Sir:

Referring to the recent transfer to this office for Trust assignment of Special Agent A.C. Jenkins, please be advised that Agent Jenkins has been assigned to assist Agent Brann under the supervision of Special Assistant to the Attorney General Kenyon in the investigation of Salt Creek Oil, Trust matter.

Very truly yours,

C.D. McKean

C.D. McKean
Special Agent in Charge

Copy in 66-320

JUN 1 6 1928

RECORDED

62-19388-30
BUREAU OF INVESTIGATION
MAY 31 1928 A. M.
DEPARTMENT OF JUSTICE
Div. Three | CEH

NO. 2

Department of Justice

Bureau of Investigation

El Paso, Texas,
May 31, 1928.

62-19388

Director,
Bureau of Investigation,
Department of Justice,
Washington, D. C.

Dear Sir:

Referring to your telegram of May 21 instructing that an agent meet Special Assistant to the Attorney General W. Houston Kenyon at Carrizozo, New Mexico, and lend him such assistance as he might desire, please be advised that I personally met Special Assistant Kenyon at Carrizozo on May 29 and assisted him in the copying of certain telegrams pertinent to the matter on which he came there.

He finished his work on May 29 and left that same day for Washington and I returned the same day to El Paso.

Very truly yours,

Louis De Nette

Louis De Nette,
Special Agent in Charge.

DeN:bg

JUN 3 1928

RECORDED

62-19388-31
BUREAU OF INVESTIGATION
JUN 4 1928 A. M.
DEPARTMENT OF JUSTICE
Div. Three

WASHINGTON, D.C.

THIS CASE ORIGINATED AT

REPORT MADE AT:	DATE WHEN MADE:	PERIOD FOR WHICH MADE:	REPORT MADE BY:
WASHINGTON, D.C.	6-2-28	5/18-25/28	E. H. PLATT, ACCOUNTANT HF

TITLE:	CHARACTER OF CASE:
SALT CREEK ROYALTY OIL	ANTI TRUST

SYNOPSIS OF FACTS:

File #A60-62

62-19388

Agent, pursuant to instructions, carefully examined files of the General Accounting Office, selecting therefrom all communications between certain parties involved in this case, as well as other papers having a bearing on the case; these documents all having passed during the last six months of the year 1922, principally during October, November and December. All such papers selected were placed in the hands of Mr. Chandler, Special Assistant to the Attorney General.

PENDING.

REFERENCE: Special request of Mr. Chandler, Assistant to the Attorney General.

DETAILS: AT WASHINGTON, D.C.

DETAILS: In company with Mr. Chandler, Special Assistant to the Attorney General, Agent went to the General Accounting Office Headquarters at 5th and F Streets, N.W., Washington, D.C. It was desired to obtain any information possible regarding the activities during October, November and December, 1922, of former Secretary of the Interior Albert Fall; his Secretary, H. C. Clunn; his administrative assistant, C. V. Safford; H. F. Sinclair and others named on a typewritten list provided by Mr. Chandler. Search was to be made of Interior Department files covering that period. Accordingly, at temporary building #6- 18th Street and

DO NOT WRITE IN THESE SPACES

APPROVED AND FORWARDED: [signature] SPECIAL AGENT IN CHARGE	62-19388-32	RECORDED AND INDEXED: JUN 8
COPIES OF THIS REPORT FURNISHED TO: 3-Bureau 2-File	BUREAU OF INVESTIGATION JUN 4 1928 P.M. DEPARTMENT OF JUSTICE	CHECKED OFF: JUN 8
	ROUTED TO: Div. Three — FILE: [initials]	JACKETED:

GOVERNMENT PRINTING OFFICE 7-1828

No. 2

Virginia Avenue, N.W., where such files were located, Agent looked through 30 packing boxes containing Interior Department vouchers for the quarter of October, November, December , 1922; and 18 packing boxes containing vouchers for January, February, March 1923; also the first four boxes for the next quarter; to make certain there were no vouchers for services, payment on which had been held up since the previous Fall. Each individual voucher was examined carefully, and all telegrams read.

A considerable number of telegrams were laid aside as being applicable to the case, as well as several expense account vouchers. These papers were placed in the hands of Mr. Chandler on the occasion of his calling at 18th Street and Virginia Avenue to examine them.

PENDING.

1 1 2 3

Department of Justice

Office of the Assistant to the Attorney General

Washington

June 7, 1928

MEMORANDUM FOR MR. HOOVER, DIRECTOR,
BUREAU OF INVESTIGATION.

62-19388

In accordance with plans which I explained to you, I went to Carrizozo, New Mexico, in connection with the Salt Creek case and arrived there Tuesday morning, May 29, 1928. Mr. DeNette, of your El Paso office, met me at the station at Carrizozo and remained with me during the time I was there. He introduced me to the Deputy Marshal and was most helpful in aiding me to go over documents furnished by the man subpoenaed, and in making copies of these documents in long hand. Afterwards he accompanied me to Three Rivers, New Mexico, where a second subpoena was served.

Mr. DeNette's assistance was of great comfort to me in a strange land, and I am very appreciative to you for the assistance given.

W. H. Kenyon, Jr.

W. HOUSTON KENYON, Jr.,
Special Assistant to the Attorney General.

JUN 8

RECORDED.

62-19388-33
BUREAU OF INVESTIGATION
JUN 8 1928 A. M.
DEPARTMENT OF JUSTICE
Div. Two

JOHN EDGAR HOOVER
DIRECTOR

2

Department of Justice
Bureau of Investigation
Washington, D. C.

VWH:RSP

BUR OF INVES JUN 9 1928 DIVISION 2

June 8th, 1928.

MEMORANDUM FOR THE DIRECTOR:

62-19388

I am attaching hereto the report of an interview by Special Assistant to the Attorney General Kenyon with Special Agent Hardy of the Bureau on May 17th, in connection with the SALT CREEK OIL matter. The attached memorandum covers the substance of the interview had with Agent Hardy, who was permitted to depart from Washington for his headquarters the day following the interview on May 18th. It is not expected that any request will be made for further service from Agent Hardy.

Respectfully,

[signature]

RECORDED & INDEXED

62-19388-34
BUREAU OF INV.
JUN. 8 1928 P. M.
DEPARTMENT OF JUSTICE
Div. Two | FILE

1 Encl.

NO. 9.

May 17, 192[illegible].

MEMORANDUM

SALT CREEK OIL MATTER

Interview with Special Agent Hardy of Bureau of Investigation

Mr. Vincent Hughes, Chief of Division No. 3, of the Bureau of Investigation, came to my office this morning and brought with him Special Agent Hardy, of the Bureau, who had been summoned to Washington from the West pursuant to a recent request made by me to Mr. Hoover, Director of the Bureau.

In the presence of Mr. Hughes, I questioned Special Agent Hardy for about an hour, and drew from him the following information:

Hardy was formerly a law student at Georgetown University where he studied for two years but did not graduate. For some time he was employed in the office of Winter and Winter, Attorneys, Casper, Wyoming as a law clerk and stenographer. (Mr. Max W. Winter is his uncle.) He said that Winter and Winter engaged largely in the practice of law applicable to oil and gas leases and mining claims related thereto. For some years the firm had been under retainer by the New York Oil Company, attending to its various legal matters in Casper at a retainer of $6,000 per year. This work included representing the New York Oil Corporation which is engaged in the business of distributing natural gas to retail consumers in the City of Casper. Legal services in connection with this retainer included considerable court work of a miscellaneous nature, as well as office work connected with the oil and gas leases of the subsidiary company as well as the New York Oil Cor-

62-19388-34

poration itself.

Hardy said that a great deal of work by Max Winter, of the law firm of Winter & Winter, had involved searches of the titles of other oil companies having claims to land in the Salt Creek field. Such work was customary amongst most of the law firms in Casper. When some defect was discovered in the titles it was customary for these law firms and individuals to seek out persons having claims adverse to the oil companies in possession, to obtain a retainer from such persons and then to drive a bargain with the oil companies on a contingent basis. Hardy thinks that a few such defects of title discovered by Max Winter and F. G. Curtis formed the basis of New York Oil Company's titles.

Because such work brought the firm into contact with the New York Oil Corporation, the relations between Winter & Winter and New York Oil Corporation became very close. Hardy was employed by said law firm and later by New York Oil Company.

He stated that most of the Salt Creek field was originally staked under the Placer Mining Laws by several groups of eight men, including among others the following:

> Ed. Crapen, Grand Central Hotel, Casper, Wyoming. Samuel Bedsaul, Madison or Washington Sts., North Casper, Wyoming. Harry Hinds, Proprietor of the Plains Hotel, Cheyenne, Wyo. "Missou" Hines, Denver, Colo. (Retired capitalist, formerly a large stockholder in Midwest Refining Co.)

> Note: Bedsaul above can probably give addresses of all the locators of May 3, 1887.

Hardy said that Crapen and Bedsaul, now old men, are drawing a pension from the New York Oil Corporation for no good reason. He said that according to gossip original locations were made in Salt Creek by eight

locators on each 160 acre tract, but as a matter of fact one man would do assessment work for the eight.

Hardy said that he recalled the name Iba and knew that old man Iba had been a prospector in the Salt Creek fields in the early days. Old man Iba is now dead, but his wife, Mrs. Mary Iba lives with her sons, Ed. and Will, on the Iba ranch, about six miles east of Casper. The third son, Harry, lives in California. The Ibas are a highly illiterate family, no one of them being able to read or write. Harry, who lives in California, has an income on account of oil royalties from either the Midwest Company or the New York Oil Company of about $2,000 a month. There is bad feeling in the family on account of this, Mrs. Iba and Ed and Will claiming that Harry stole everything that came from the old man's title. Hardy says that the old lady and her two sons have very little income from their ranch and are exceedingly bitter against Harry. He thinks that Harry can be located through either the Midwest or New York Oil Companies, because of the monthly royalty check sent to him, or through one of the banks in Casper where he has an account.

Hardy says that Ex-Governor B. B. Brooks, President of either the Stockmens National Bank or the Wyoming National Bank of Casper, knows a lot of the early frauds if he can be persuaded to talk.

Hardy recalls that in 1924 a case went to the United States Supreme Court involving the question whether under Homestead Rights, the town of Lavoye could exist in the center of the Salt Creek Oil Field, and that as a result of the decision of the Supreme Court in the case, brought either by the United States or by the Ohio Oil Company against

Lavoye, it was held that the town had no proper existence and all the buildings must be removed.

He recalls that there was much gossip in Casper about the fact that the Midwest Refining Company years ago had, when it wanted oil lands, sent in men with shot guns to drive off the prospectors. He said he remembered particularly that this gossip came to the fore when, in 1922, Secretary Fall sent a squad of marines to drive the Mutual Oil Company off the location in Teapot Dome.

Referring to Harry M. Blackmer, Hardy denied that he had been with Blackmer when the latter commenced his flight to France but he said that he had talked with Mike Panich, MacWilliams Building, Clarksdale, Miss., a professional trustee in bankruptcy, who had gone to Chicago some time in 1924 in connection with some of his bankruptcy matters and had gone on a party in Chicago one night at which he met Blackmer and learned that Blackmer was giving the party as a farewell prior to his departure for France.

Panich has no interests in the oil fields that Hardy knows of, and had not met Blackmer before the party.

I asked Hardy as to how Blackmer had come to be connected with the Midwest Refining Company and he told me that gossip had it in Casper, that Blackmer had originally been connected as President or Cashier with a bank in Denver, that he had invested some of the funds of the bank in stock of the Midwest Oil Company without letting other officials of the bank know; that when this was discovered Blackmer was fired from his job with the Bank but that a few days later the Midwest Oil Company hit it righ and Blackmer was able to pay back to the bank, dollar for dollar

what he had taken from it and at the same time to remain a substantial factor in the Midwest Oil Com any with which he has ever since been associated.

Hardy said that the Midwest Refining Company had four pipe lines from the Salt Creek field to Casper and a modern refinery at Casper which was immediately adjacent to a refinery and cracking plant of the Standard of Indiana, the two being operated practically as a unit. Producers and Refiners, a subsidiary of the Prairie Oil and Gas Company, had a pipe line from Salt Creek field through Casper to the Lost Soldier Oil Field and thence to Parco, Wyoming where Producers and Refiners has a refinery on the main line of the Union Pacific Railroad. Hardy thinks that Texas Company also has a refinery in Casper with connecting pipe lines.

He says that the original documents in connection with an investigation of titles in the Salt Creek field will be found in part in the local office of the General Land Office which formerly was located in Cheyenne but which has now been moved, together with its old records, to Denver. Other original records will be found in the County Clerk's office in Casper, though he suggests we check up on this through Gertrude E. Patterson, at present County Treasurer of Natrona County, Wyoming. He says that some of the very old records may perhaps be found in Rawlins, Wyoming which is the county seat of Sweetwater County. It appears that the Salt Creek Oil fields formerly lay in Sweetwater County but that late in the nineteenth century the new county of Natrona was created. This will only affect the very old records.

Hardy said that the best hotel in Casper is the Townsend but that there are two ot ers, the Henning (formerly known as the Midwest Hotel and now operated by The Midwest Hotel Company) and the Gladstone. In Cheyenne the best hotel is The Plains Hotel.

W. HOUSTON KENYON, Jr.
Special Assistant to the Attorney General.

62-19388

REPORT ON

INVESTIGATION OF

SALT CREEK CRUDE OIL LEASES

BUREAU OF INVESTIGATION

DEPARTMENT OF JUSTICE

Washington, D.C. H.C.Ovitt

August 27, 1928. Special Accountant

Copy to Mr. Foster 9/5

3 - Bureau

1 - F.K.Foster, Attorney, Department of Justice.

1 - File

RECORDED SEP 8 1928 62-19388-35

BUREAU OF INVESTIGATION SEP 4 1928 P.M. Div. Three

APPROVED SEP 1 - 1928 Supervising Accountant

JUL 12 1972 XEROXED ORIGINAL

Washington, D.C.
August 27, 1928.

J. Edgar Hoover, Director,
Bureau of Investigation,
Department of Justice,
Washington, D.C.

Dear Sir:

Pursuant to your instructions, your accountant conferred with Mr. F. K. Foster, attorney in the Department of Justice, with reference to investigation of Salt Creek Crude Oil Leases.

Mr. Foster furnished your accountant with data obtained from the Interior Department relative to 194 Salt Creek Leases, and requested a tabulation of those leases be made to show total production, royalty oil, probable purchaser of non-royalty oil and operator of leases. From the figures resulting from the tabulations, calculations were made showing what percentage of the non-royalty oil was probably purchased by the Midwest Refining Company, and what percentage of the oil produced was produced from the leases operated by the Midwest Refining Company.

The totals by years on the sheets furnished by Mr. Foster were taken from records at the Interior Department and were not verified by your accountant.

This work was commenced on July 10, 1928 and completed on July 27, 1928. Your accountant did no work on this case, however, from July 15 to July 31, 1928.

Production was reported on 185 leases. No production was reported under two (2) leases, and on seven (7) leases production was reported under other leases.

From an analysis of the 185 leases under which production was reported, the following results are obtained:

Total Production	127,133,300.74	Barrels
Royalty Oil	24,347,954.79	"
Non-royalty oil probably purchased by Midwest Refining Company	86,933,386.15	"
Non-royalty oil probably purchased by other Companies	15,851,959.80	"
Oil produced under leases operated by Midwest Refining Company	74,542,644.89	"
Oil Produced under leases operated by other Companies	52,590,655.85	"

On thirteen (13) of the 185 leases, the interests of the Midwest Refining Company and those of other Companies were combined on Interior Department Reports. Your Accountant was unable to accurately segregate these interests.

Calculations from the above figures show that:

Midwest Refining Company was the probable purchaser of 84.58 % of the non-royalty oil.

Other Companies were the probable purchasers of 15.42 % of the non-royalty oil.

58.63 % of the oil was produced under leases operated by the Midwest Refining Company.

41.37 % of the oil was produced under leases operated by other Companies.

The following papers prepared by your accountant have been left with Mr. F. K. Foster.

46 sheets "Schedule of Production and royalty oil under leases, showing probable purchaser of non-royalty oil and Operator of leases."

5 sheets "Summary of Leases"

Respectfully,

H.C.Ovitt

H.C.Ovitt
Special Accountant

VWH:AV

62-19388-36

September 6, 1928

SEP 10 1928

Mr. W. Houston Kenyon, Jr.,
Special Assistant to
The Attorney General,
c/o United States Attorney,
New York City.

Dear Sir:

Immediately upon receipt of your letter of the 4th instant, requesting the assistance of a Special Accountant to further analyze certain statistics regarding the purchases of fuel oil from the Salt Creek Royalty Oil Company, it was arranged for Special Accountant Ovitt who has previously worked on this case, to proceed to New York and report to you this morning for the purpose of conducting such additional analyses as may be necessary.

Very truly yours,

Acting Director.

BUREAU FILE DIVISION
MAILED
SEP 6 1928
P. M.
DEPT. OF JUSTICE

ADDRESS REPLY TO
"UNITED STATES ATTORNEY"
AND REFER TO
INITIALS AND NUMBER

W.H.K.Jr.

61906

Department of Justice

United States Attorney's Office

New York

September 4, 1928

BUR. OF INVESTIGATION
SEP 5 1928
DIVISION NO. 3

Mr. J. Edgar Hoover, Director,
Bureau of Investigation,
Department of Justice,
Washington, D. C.

62- 19388

Re: Salt Creek Royalty Oil Investigation.

My dear Mr. Hoover:

On May 5, 1928, you transmitted to Colonel Donovan copy of a report prepared by Special Accountant H. C. Ovitt in connection with the above entitled investigation in which the special accountant made a comparison of certain tables furnished by the Department of the Interior showing accruals of royalty oil, with other tables furnished by the Navy Department showing Navy purchases of bunker "A" fuel oil, both for the years 1923 to 1927 inclusive.

Discussion between attorneys of the Department, officers of the Bureau of Supplies and Accounts of the Navy Department and First Assistant Secretary Finney of the Department of the Interior, has brought us to the conclusion that the figures furnished by a comparison of these tables do not illustrate the extent to which the Government would have been injured had it exercised the option given by the Sinclair Company. Accordingly, new figures have been furnished by the Paymaster General of the Navy based on a somewhat different hypothesis.

The services of a special accountant are requested to repeat the comparison heretofore made, using the new figures furnished by the Navy Department. The services of Special Accountant Ovitt would be helpful since he understands what is desired.

RECORDED SEP 10 1928

62-19388-36

BUREAU OF INVESTIGATION
SEP 5 1928 A.M.
DEPARTMENT OF JUSTICE

Very truly yours,

W. H. Kenyon

W. HOUSTON KENYON, Jr.,
Special Assistant to
The Attorney General.

Letter Houston N.Y.
9/6/28

ADDRESS REPLY TO
"UNITED STATES ATTORNEY"
AND REFER TO
INITIALS AND NUMBER

W.H.K.Jr.

61906

Department of Justice

United States Attorney's Office

New York

R.S.S.

September 7, 1928.

BUR. OF INV. SEP 8 1928 DIVISION NO. 3

62-19388

Mr. J. Edgar Hoover, Director,
Bureau of Investigation,
Department of Justice,
Washington, D. C.

My dear Mr. Hoover:

Thank you for your letter of September 6, 1928. Special Accountant Ovitt has arrived here and is now working on the analysis referred to in my letter to you of September 4, 1928.

I am very appreciative of your prompt cooperation in this matter.

Very truly yours,

W. H. Kenyon, Jr.

W. HOUSTON KENYON, Jr.,
Special Assistant to
The Attorney General.

RECORDED

SEP 10 1928

62-19388-37

Div. Three

V.JH:EK:TSFB
62-15588-38

SEP 19 1926

September 18, 1926

MEMORANDUM FOR COLONEL DONOVAN
Assistant to the Attorney General.

Attention: Mr. Williamson.

In connection with the case entitled: SALT CREEK OIL COMPANY (TEA POT DOME INVESTIGATION), there is transmitted herewith for your information a copy of the report of Special Agent J. A. Evans, dated September 7, 1926 at New York City.

Very truly yours,

Director.

Encl. 104162

THIS CASE ORIGINATED AT New York City.

DIVISION NO. 3 [stamp]

REPORT MADE AT:	DATE WHEN MADE:	PERIOD FOR WHICH MADE:	REPORT MADE BY:
New York City	9/7/28	9/7/28	J.A. BRANN

TITLE:	CHARACTER OF CASE:
SALT CREEK OIL COMPANY (TEA POT DOME INVESTIGATION)	~~ANTI-TRUST MATTER~~ Miscellaneous

N.Y. File 60-113

62-19388

SYNOPSIS OF FACTS:

Examination made of oil publications for purpose of collating comments and statistics pertinent to leases made by the U.S. Department of the Interior to Sinclair Oil interests in Salt Creek oil fields, Montana and Wyoming.

PENDING

DETAILS: AT NEW YORK CITY.

By direction of Special Agent in Charge C.D. McKean, New York Office of the Bureau, at request of Special Assistant Attorney General Kenyon, New York Anti-Trust Division, the writer has in his spare moments and in conjunction with other more pressing investigation made an examination of all oil periodicals, publications and statistical oil publications both weekly and monthly which could be readily obtained in New York City, for the purpose of collating and digesting any and all articles and figures which might shed light on official, public and trade opinion regarding the leases made by Secretary Fall and the Department of the Interior to the Sinclair interests in the Salt Creek oil fields in Montana and Wyoming.

DETAILS:

Due to the fact that many of the prior articles in these journals are refuted or made useless by subsequent articles, and in accordance with the wishes expressed by Mr. Kenyon to avoid any unnecessary duplication of work, a full report setting forth extracts from these various journals is not being made by the writer until the entire examination has been finished. It is thought by the writer that possibly ten days of intensive work will suffice to complete this examination.

DO NOT WRITE IN THESE SPACES

APPROVED AND FORWARDED: Frank X O'Donnell SPECIAL AGENT IN CHARGE	62-19388-38	RECORDED AND INDEXED: SEP 11 1928
WASHINGTON REFERENCE: / COPIES OF THIS REPORT FURNISHED TO: 3 - Bureau, 2 - New York.	BUREAU OF INVESTIGATION SEP 10 1928 A.M. DEPARTMENT OF JUSTICE	CHECKED OFF: SEP 19 1928
	ROUTED TO: Div. Three / FILE: EKT	JACKETED:

MOB
ENCLOSURE FOR THE BUREAU

copy Col Donovan 9/18

A list of some of the publications examined are herewith appended for the purpose of showing the scope of the work.

PENDING

N.Y. File 60-113.

STANDARD OIL BULLETIN

VACUUM OIL NEWS

AMERICAN ASSOCIATION PETROLEUM GEOLOGISTS

CALIFORNIA PETROLEUM AND GAS DEPARTMENT MONTHLY

AMERICAN PETROLEUM INSTITUTE

BLAIR NEWS - FUEL OIL

NATIONAL PETROLEUM NEWS

OIL AGE

GAS & OIL NEWS JOURNAL

OIL & GAS JOURNAL

OIL WEEKLY

PETROLEUM AGE

SKELLY NEWS

DRUGS, OILS AND PAINTS

THE LAMP

MAGNOLIA OIL NEWS

OIL AGE - LOS ANGELES

OIL NEWS OF LONDON

VWH:AV

62-19388-39

RECORDED

September 25, 1928.

SEP 26 1928

MEMORANDUM FOR COLONEL DONOVAN
Assistant to the Attorney General

For your further information there is enclosed herewith copy of the report of Special Accountant H. G. Cvitt, dated September 11, 1928, and covering supplemental investigation in the SALT CREEK CRUDE OIL matter. This additional investigation was made at the request of Mr. Kenyon at New York, and a copy of the report has been furnished him.

Very truly yours,

Director.

Encl. #105455

SEP 25 1928

REPORT OF

INVESTIGATION OF

SALT CREEK CRUDE OIL

62-19388

BUREAU OF INVESTIGATION

DEPARTMENT OF JUSTICE

Washington, D.C.
September 11, 1923

H.C.Ovitt
Special Accountant

3 - Bureau

1 - W. Houston Kenyon,
Special Assistant to Attorney General,
Federal Building,
New York City.

1 - File

RECORDED

62-19388-39

SEP 26 1923

APPROVED
SEP 20 1923
Acting Accountant

JUL 12 1972
XEROXED ORIGINAL

Washington, D.C.
September 11, 1928.

J. Edgar Hoover, Director,
Bureau of Investigation,
Department of Justice,
Washington, D.C.

Dear Sir:

Pursuant to your instructions, your accountant conferred with Mr. W. Houston Kenyon Jr., Special Assistant to the Attorney General, located at 530 Federal Building, New York City, with reference to the Salt Creek Crude Oil Investigation.

Mr. Kenyon furnished your accountant with statement prepared by the Navy Department showing number of barrels of Bunker "A" Fuel Oil purchased by the Navy Department at East Coast and Gulf Ports, and the amount paid for the oil. This statement was by months for the years 1923 to 1927, both inclusive. Mr. Kenyon requested schedules be made to show the "Comparison of Actual Cost to Navy of Bunker "A" Fuel Oil Purchased at East Coast and Gulf Ports with Computed Cost had Navy Exercised Option Granted by Mammoth Oil Company under Contract of December 20, 1922.

This work was commenced on September 6, 1928 and completed on September 11, 1928.

Computations made from statements furnished by Mr. Kenyon show the following results:

Year	Total Payment by Navy	Total Payment if Option had been exercised	Net Gain to Navy by exercise of Option	Net Loss to Navy by exercise of Option
1923	$ 3,831,076.79	$ 4,224,204.11	$	$393,127.32
1924	4,911,997.34	4,446,864.92	465,132.42	
1925	3,132,385.53	3,344,100.12		211,714.74
1926	2,947,564.84	3,850,849.31		903,284.47
1927	4,048,758.05	3,596,200.86	452,557.19	
TOTAL....	$18,871,782.40	$19,462,219.32	----------	$590,436.92

Schedules prepared by your accountant were left with Mr. Kenyon.

Respectfully,
H.C. Ovitt
H.C. Ovitt
Special Accountant

JEH:LWP

NOVEMBER 2, 1928.

J E P DUNN
DEPARTMENT OF JUSTICE
POST OFFICE BUILDING
SAN FRANCISCO CALIF.

62-19385-40

ASSISTANT TO THE ATTORNEY GENERAL DONOVAN STATES THAT THE ASSOCIATED OIL COMPANY NUMBER SEVENTY NINE NEW MONTGOMERY STREET SAN FRANCISCO HAS A REPORT MADE IN NINETEEN TWELVE BY AN ATTORNEY UPON THE HENSHAW-FITZHUGH LOCATION IN SALT CREEK OIL FIELD STOP DESIRE YOU SECURE A COPY OF THIS REPORT AND FORWARD SAME BY AIR MAIL STOP WIRE RESULTS OF YOUR EFFORTS

HOOVER

JM

RECORDED & INDEXED

62-19388-40
BUREAU OF INVESTIGATION
NOV 3 1928 A. M.
DEPARTMENT OF JUSTICE
FILE

JOHN EDGAR HOOVER
DIRECTOR

Department of Justice

Bureau of Investigation,

Washington, D. C.

WASHINGTON DAILY NEWS, OCTOBER 19, 1928.

M DM

THE PEOPLE ARE TIRED

"THE people are tired of hearing of these oil leases," says Dr. Work.

They are. But not in the way he thinks. They are so tired of the oil muck that they desire to uncover it all, and have done with this national disgrace.

Work has an alibi for his act as Secretary of Interior last January renewing the Sinclair Salt Creek royalty oil contract, which the Attorney General now holds invalid. Work says he acted on his departmental solicitor's opinion.

That alibi explains, but does not justify. It convicts Work of more than stupidity. He handled in routine fashion a contract which was questionable on its face, which was actually being questioned, in fact, and which bore the notorious names of Fall and Sinclair. That contract was suspect not only on technical legal grounds but for possible fraud, which the Attorney General is now investigating.

As a Cabinet officer sworn to protect the nation's resources, Work was guilty of such extreme negligence as forever to unfit him for public office.

Now Work has the effrontery to state: "The criticism of my renewal of the Salt Creek purchasing contract is entirely of campaign origin." He announces this on the stationery of the Republican National Committee, of which he is chairman.

This is another characteristic stupidity. It is an unworthy and ineffective attempt to hide behind Herbert Hoover.

In welcoming the nomination of Hoover, this newspaper emphasized that one of his hardest jobs would be to get rid of the Republican "old gang." The Slemps, the Vares, the Works continue to cling to the band wagon. Hoover can not help that. But he can prevent them from continuing party leadership. Hoover should unseat Work.

"We have found the man to beat Hoover," was the sarcastic comment of a famous Republican Senator when Work was made campaign chairman. Since then wherever he personally has touched the campaign there has been an almost unbroken line of errors.

Even Work can not defeat Hoover. But we are interested in more than Hoover's election. We are interested in the kind of administration he will give the country.

We have faith in the candidate. That faith does not extend to some of the old-line Republican leaders, who hope for places when Hoover enters the White House. The only question is when to unload Work. The sooner the better, in our judgment.

For the people are not only tired of the oil leases, as Work says. The people are also very tired of Work.

62-20605-A

NOT RECORDED

62-19388

WH:MB

62-19388-41

November 3, 1928.

Mr. S. J. McAfee,
P. O. Box 806,
Denver, Colo.

Dear Sir:

It is desired that you immediately arrange to obtain photostatic copies or original issues of those pages of the "Denver Post" containing the following described articles:

October 15, 1922. "Harry F. Sinclair, President of Mammoth Oil Co., arrived in Denver with party of eight friends Friday evening and departed immediately for Casper, to remain in Wyoming several days." (Telegraphic).

October 16, 1922. "Reported in Casper that Sinclair Consolidated Oil Corp. or Mammoth Oil Co. would build a pipe line to Casper from Salt Creek and Teapot fields and erect a refinery at Casper. Sinclair interests contemplate bidding for Government royalty oil." (Dill, local).

I desire that you give this matter your immediate attention and forward these papers or photostats to this office at the earliest practicable date. The Washington Local Office is the office of origin and the title of the investigation is SINCLAIR SALT CREEK CONTRACT.

Very truly yours,

Director.

cc Washington Local Office.

BUREAU FILES DIVISION
MAILED
NOV 3 1928
P. M.
DEPT. OF JUSTICE

V:H:CB

62-19388-41
RECORDED

NOV 6 1928

November 5, 1928.

Mr. W. Houston Kenyon, Jr.,
Special Assistant to
The Attorney General,
c/o United States Attorney,
New York City.

Dear Mr. Kenyon:

Immediately upon receipt of your letter of the 2nd instant, requesting that photostatic copies be obtained of certain issues of the "Denver Post" containing articles on the Sinclair Salt Creek matter, instructions were issued to the Denver Office of the Bureau to obtain either the original issues of the Denver Post or photostatic copies of those pages which contain the described articles.

I shall be glad to forward the same to you promptly upon receipt at this office.

Very truly yours,

Director.

BUREAU FILES DIVISION
MAILED
NOV 5 1928
P. M.
DEPT. OF JUSTICE

ADDRESS REPLY TO "UNITED STATES ATTORNEY" AND REFER TO INITIALS AND NUMBER

W.H.K.Jr.

61906

Department of Justice

United States Attorney's Office R.S.S.

New York November 2, 1928.

RECORDED & INDEXED

62-19388

62-19388-41
BUREAU OF [illegible]
NOV 3 8 A.M.
DEPARTM[illegible]

NOV 6 1928

Honorable J. Edgar Hoover, Director,
Bureau of Investigation,
Department of Justice,
Washington, D. C.

Re: Investigation Sinclair Salt Creek Contract.

My dear Mr. Hoover:

Information has come to me that the Denver Post contains two news articles which may have a bearing on our investigation in the above subject-matter.

These articles are as follows:

October 15, 1922. "Harry F. Sinclair, President of Mammoth Oil Co., arrived in Denver with party of eight friends Friday evening and departed immediately for Casper, to remain in Wyoming several days". (Telegraphic).

October 16, 1922. "Reported in Casper that Sinclair Consolidated Oil Corp. or Mammoth Oil Co. would build a pipe line to Casper from Salt Creek and Teapot fields and erect a refinery at Casper. Sinclair interests contemplate bidding for Government royalty oil". (Dill, local).

It is requested that photostat copies be made of the news articles above identified and be forwarded to me at the above address. I think it will be necessary to procure these photostats from Denver, as I learn that the Library of Congress destroys its back numbers of the Denver Post after thirty days.

Very truly yours,

W. H. Kenyon Jr.

W. HOUSTON KENYON, Jr.
Special Assistant to
The Attorney General.

Letter Denver cc Wash. Loc. 11/3/28
Ack. 11/5/28

J H:MO'B

62-19388-42

November 3, 1928.

RECORDED & INDEXED
NOV 7 1928

MEMORANDUM FOR COLONEL DONOVAN.

In regard to the attached letter addressed to you by Senator Sterling, I talked with Mr. McFarland and informed him that last night, upon your request, I had communicated with my San Francisco office for the purpose of securing a copy of the report stated to be in the possession of the Associated Oil Company of San Francisco. I informed Mr. McFarland that I hoped to have some word today as to whether my San Francisco office had been able to secure a copy of the San Francisco report, and the instructions were that if it had been able to secure the same it should be sent by airmail.

Very truly yours,

Encl. Director.

62

BUREAU FILES DIVISION
MAILED
NOV. 5 1928
P. M.
DEPT. OF JUSTICE

COPY

Law Offices

Sterling, Tedroe and McCaslin

Woodward Building

November 3, 1928.

Col. William J. Donovan,
Assistant to the Attorney General
Department of Justice,
Washington, D. C.

My dear Col. Donovan:

I am informed that sometime during the years of 1911 or 1912 the attorneys of the Associated Oil Company at San Francisco, 79 New Montgomery Street, made a report to that company in regard to the Fitzhugh-Henshaw locations in the Salt Creek Field, Wyoming. I think it desirable that we have that report or copy of the same.

Mr. McFarland, whom you saw last evening, informs me that the Department of Justice has a branch in San Francisco. In accordance with your kind offer made to Mr. McFarland, we would be very glad indeed if your branch would investigate and procure this report which is supposed to analyze and summarize the merits of this group of locations.

Hoping this will meet with your approval, I beg to remain

Yours very sincerely

(s) Thomas Sterling

RECORDED & INDEXED

NOV 6 1928

62-19388-42
BUREAU OF INVESTIGATION
NOV 6 1928 A. M.
DEPARTMENT OF JUSTICE
Div. One | FILE

11-3

62-19388-43

JEH:MO'B

POSTAL TELEGRAPH

November 5, 1928.

RECORDED

Dunn, Department of Justice,
Post Office Building,
San Francisco, California.

WITH REFERENCE YOUR WIRE CONCERNING REPORT WHICH DEPARTMENT DESIRES OF THE ASSOCIATED OIL COMPANY AM ADVISED THIS REPORT WAS MADE IN EITHER 1911 OR 1912 AT THE TIME THE FITZHUGH HENSHAW LOCATIONS IN SALT CREEK FIELD WERE BEING CONSIDERED BY COMPANY FOR PURCHASE STOP AM ADVISED THERE IS NOTHING IN REPORT WHICH INVOLVES OIL COMPANY BUT IS MERELY DESIRED BY GOVERNMENT IN ORDER TO SUSTAIN ITS POSITION.

Hoover.

JEH:MO'B

62-19388-43

RECORDED

1928

November 5, 1928.

MEMORANDUM FOR COLONEL DONOVAN.

I am attaching hereto a telegram received from Special Agent in Charge Dunn which relates to the telegraphic request for a copy of the report on file in the office of the Associated Oil Company.

I would appreciate being furnished with any additional information that may be available concerning this matter so that I may transmit it by telegram to Mr. Dunn.

Very truly yours,

Encl.

Director.

By messenger
11/5/28

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT.

RECEIVED AT

STANDARD TIME INDICATED ON THIS MESSAGE

TELEGRAMS TO ALL AMERICA

THE MACKAY SYSTEM POSTAL TELEGRAPH COMMERCIAL CABLES "THE PULSE OF THE WORLD"

CABLEGRAMS TO ALL THE WORLD

This is a full-rate Telegram or Cablegram unless otherwise indicated by signal in the check or in the address.

BLUE	DAY LETTER
NL	NIGHT LETTER
NITE	NIGHT TELEGRAM
LCO	DEFERRED
NLT	CABLE LETTER
WLT	WEEK END LETTER

Form 16 DBI

62-19388-43

BUREAU OF INV.

NOV. 5

DEPARTMENT

Div. One

RECORDED

NOV 8 1928

~~34~~ SM 96 COLLECT GOVT

GA SANFRANCISCO CAL NOV 3 28

DIRECTOR BUREAU OF INVESTIGATION,

DEPT OF JUSTICE, WASHN DC.

RETEL OF SECOND INSTANT PRINCIPAL OFFICERS OF CORPORATION STATE UNABLE TO LOCATE DOCUMENT DESIRED STOP THEY REQUEST VERIFICATION AS TO YEAR WHEN MADE AND SUCH FURTHER IDENTIFICATION DATA AS MAY BE AVAILABLE SUCH AS NAME OF INDIVIDUAL PREPARING AND ANY TITLE OR FILE NUMBER IT MAY BEAR STOP VARIOUS TECHNICAL REPRESENTATIVES OF COMPANY NOT IMMEDIATELY AVAILABLE EFFORTS BEING MADE BY OFFICERS TO ENLIST THEIR EFFORT IN LOCATING INFORMATION DESIRED STOP RESPONSIBLE OFFICERS OF CORPORATION INDICATE ALL POSSIBLE COOPERATION WILL BE RENDERED TO LOCATE AND SUPPLY RECORD REQUESTED STOP I WILL REPORT FURTHER PROGRESS MONDAY NEXT

DUNN. 510PM

To Caldwell 11-5-28

JEH:MO'D
62-19388-44

RECORDED
NOV 6 1928

November 6, 1928.

MEMORANDUM FOR COLONEL DONOVAN.

62

I have received the following telegram from my San Francisco office relative to the report of the Associated Oil Company.

"Retel of second instant and my reply of third instant stop am today advised by attorney for company that careful search of files in executive legal geological and operating departments fails to develop any information as to the existence or location of desired document stop Search continuing officials to advise finally on Wednesday result of search."

Upon receipt of further information, I will promptly advise you.

Very truly yours,

Director.

Salt Creek Oil investigation

BUREAU FILES DIVISION
MAILED
NOV 6 1928
A.M.
DEPT. OF JUSTICE

POSTAL TELEGRAPH - COMMERCIAL CABLES
CLARENCE H. MACKAY, PRESIDENT.
RECEIVED AT
STANDARD TIME INDICATED ON THIS MESSAGE
TELEGRAMS TO ALL AMERICA
CABLEGRAMS TO ALL THE WORLD
THE MACKAY SYSTEM POSTAL TELEGRAPH COMMERCIAL CABLES "THE PULSE OF THE WORLD"
This is a full-rate Telegram or Cablegram unless otherwise indicated by signal in the check or in the address.

BLUE	DAY LETTER
NL	NIGHT LETTER
NITE	NIGHT TELEGRAM
LCO	DEFERRED
NLT	CABLE LETTER
WLT	WEEK END LETTER

1928 NOV 6 AM 12 0

62-19388-44

BUREAU OF INVESTIGATION

NOV 6 1928 P. M.

Div. One

FILE

CHB388 57 COLLECT GOVT NL

GA SANFRANCISCO CALIF 5

DIRECTOR BUREAU OF INVESTIGATION

RECORDED

DEPARTMENT OF JUSTICE WASHINGTON DC

NOV 6 1928

RETEL OF SECOND INSTANT AND MY REPLY OF THIRD INSTANT STOP AM TODAY ADVISED BY ATTORNEY FOR COMPANY THAT CAREFUL SEARCH OF FILES IN EXECUTIVE LEGAL GEOLOGICAL AND OPERATING DEPARTMENTS FAILS TO DEVELOP ANY INFORMATION AS TO THE EXISTENCE OR LOCATION OF DESIRED DOCUMENT STOP SEARCH CONTINUING OFFICIALS TO ADVISE FINALLY ON WEDNESDAY RESULT OF SEARCH

DUNN.

To Col Donovan
11-6-28
[illegible]

JEH:MO'B POSTAL TELEGRAPH CABLE CO. November 6, 1928.

62-19388

Dunn
Department of Justice
Post Office Building
San Francisco, Calif.

WITH REFERENCE REPORT DESIRED FROM ASSOCIATED OIL COMPANY AM ADVISED REPORT WAS MADE AT A TIME WHEN FITZHUGH HENSHAW LOCATIONS WERE OFFERED TO ASSOCIATED OIL COMPANY STOP IT WAS NOT BEFORE NINETEEN TEN OR LATER THAN NINETEEN FOURTEEN STOP SUGGEST COMMUNICATE WITH EXECUTIVES OF COMPANY DURING THAT PERIOD OF TIME WHO MIGHT BE ABLE TO FIX THE DATE WHEN SUCH REPORT WAS MADE

HOOVER

RECORDED & INDEXED

62-19388-45
BUREAU OF INVESTIGATION
NOV 7 1928 A. M.
DEPARTMENT OF JUSTICE
FILE

JEH:MO'B

62-19388-46

NOV 10 1928 RECORDED

November 8, 1928.

BUR. OF INVESTIGATION NOV 9 1928

62-19388

MEMORANDUM FOR COLONEL DONOVAN.

I am quoting as follows a telegram received by me from my San Francisco office, and which has reference to the report stated to have been in the files of the Associated Oil Company.

> "Re Associated Oil Company, matter officers of company advise today that exhaustive search of records during period years ten to fourteen both inclusive fails to disclose existance of or information concerning desired document as previously indicated careful search and recheck has been made of Directors' minutes, general index and files in Executive, Secretarial, Legal, Geological and Operating Departments without success stop Only document having specific reference to subject matter is a report made by Geologist in May nineteen eleven relative potentialities of area under consideration copy of this item being forwarded stop Company officials disclaim knowledge of and assert conviction document referred to not in files and are discontinuing search."

Very truly yours,

Director.

2 3

MAILED NOV. 8 1928 P. M. DEPT. OF JUSTICE

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H MACKAY PRESIDENT

RECEIVED AT

STANDARD TIME INDICATED ON THIS MESSAGE

TELEGRAMS TO ALL AMERICA

THE MACKAY SYSTEM · POSTAL TELEGRAPH · COMMERCIAL CABLES · "THE PULSE OF THE WORLD"

CABLEGRAMS TO ALL THE WORLD

This is a full-rate Telegram or Cablegram unless otherwise indicated by signal in the check or in the address

BLUE	DAY LETTER
NL	NIGHT LETTER
NITE	NIGHT TELEGRAM
LCO	DEFERRED
NLT	CABLE LETTER
WLT	WEEK END LETTER

1928 NOV 8 AM 3 51

CH867 110 COLLECT GOVT NL 1/61

GA SANFRANCISCO CALIF 7

DIRECTOR BUREAU OF INVESTIGATION

DEPT OF JUSTICE WASHINGTON DC

RE ASSOCIATED OIL COMPANY MATTER OFFICERS OF COMPANY ADVISE TODAY THAT EXHAUSTIVE SEARCH OF RECORDS DURING PERIOD YEARS TEN TO FOURTEEN BOTH INCLUSIVE FAILS TO DISCLOSE EXISTENCE OF OR INFORMATION CONCERNING DESIRED DOCUMENT AS PREVIOUSLY INDICATED CAREFUL SEARCH AND RECHECK HAS BEEN MADE OF DIRECTORS MINUTES GENERAL INDEX AND FILES IN EXECUTIVE SECRETARIAL LEGAL GEOLOGICAL AND OPERATING DEPARTMENTS WITHOUT SUCCESS STOP

RECORDED
NOV 10 1928

62-19388-46

BUREAU OF INVESTIGATION

NOV 19 1928 A.M.

DEPARTMENT OF JUSTICE

Div. One

FILE 11-

McCOY

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H MACKAY, PRESIDENT

RECEIVED AT

STANDARD TIME INDICATED ON THIS MESSAGE.

TELEGRAMS TO ALL AMERICA

THE MACKAY SYSTEM POSTAL TELEGRAPH COMMERCIAL CABLES "THE PULSE OF THE WORLD"

CABLEGRAMS TO ALL THE WORLD

This is a full-rate Telegram or Cablegram unless otherwise indicated by signal in the check or in the address

BLUE	DAY LETTER
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NITE	NIGHT TELEGRAM
LCO	DEFERRED
NLT	CABLE LETTER
WLT	WEEK END LETTER

1928 NOV 8 AM 3 51

CHB67/2/49 SANFRAN CAL DIRECTOR BUREAU OF INVESTIGATION

WASHN DC

ONLY DOCUMENT HAVING SPECIFIC REFERENCE TO SUBJECT MATTER IS A REPORT MADE BY GEOLOGIST IN MAY NINETEEN ELEVEN RELATIVE POTENTIALITIES OF AREA UNDER CONSIDERATION COPY OF THIS ITEM BEING FORWARDED STOP COMPANY OFFICIALS DISCLAIM KNOWLEDGE OF AND ASSERT CONVICTION DOCUMENT REFERRED TO NOT IN FILES AND ARE DISCONTINUING SEARCH

DUNN.

JEH:MO'B

62-19388-47

November 12, 1928.

RECORDED

MEMORANDUM FOR COLONEL DONOVAN.

In connection with your desire for me to obtain a copy of the report in the possession of the Associated Oil Company, I am attaching hereto, for your information, a copy of a communication received by me from my Agent in Charge at San Francisco, dated November 6, 1928, together with a copy of a geological report.

If there is any further action which you desire me to take in this matter, I will be very glad to take the same.

Very truly yours,

Encl.

Director.

Additional copy of Dunn letter and geological report furnished Mr. Hardy of Col. Donovan's Division at his request. 11/14/28 MA.

62-19388-47

JB.

FILES DIVISION
NOV 13 1928
P.M.

Department of Justice

Bureau of Investigation

P. O. Box 374
San Francisco, California

JEPD:FM
Refer File
62-608

RECORDED

NOV 13 1928

November 8, 1928

62-19388-47
BUREAU OF INVESTIGATION
NOV 12 1928 P. M.
Div. One
FILE

Director, Bureau of Investigation
Department of Justice
Washington, D. C.

Re: Associated Oil Company matter.

Dear Sir:

As indicated in my wire of the seventh instant, with respect to the above captioned matter, the officers of the Associated Oil Company, 79 New Montgomery Street, San Francisco, have been unable to identify or locate the report referred to in your wire of the second instant, advising that Assistant to the Attorney General Donovan had information that the Company had in its possession a report made in 1912 by an attorney, upon the Henshaw Fitzhugh Location in the Salt Creek Oil Field, Wyoming.

Subsequent to the receipt of your telegram of the second instant, with reference to this matter, I have been in direct contact with Mr. Daniel W. Hone, Attorney for the Company, and Mr. William F. Humphrey, President of the Company. Both of these officers have made every effort to locate the document desired and have caused a thorough and careful search to be made of the files and records of the Company.

I am now advised by Mr. Hone, the Attorney for the Company, that a most exhaustive search has failed to develop the existence of the report referred to or any information that such a report was ever made to or in possession of the Company.

The officials of the Company state that the minutes of directors' and stockholders' meetings have been thoroughly canvassed and that the indices and files in the executive, legal, geological and operating departments have been carefully searched and rechecked without disclosing any information concerning the report referred to in your original wire.

In addition to the record search above indicated, all executives and employees of the Company who would have any recollection of such a re-

port or of any operations or proposed operations of the Company during the time indicated, which would have connection with the matter under consideration, were interrogated by Mr. Hone, the Attorney for the Company, without developing any information concerning a report of the nature desired.

As a result of the search made of the Company files and records, the only items having any reference to the matter under consideration are the following:

1. A geological report prepared by R. P. McLaughlin on the Salt Creek Field, Wyoming, which report was transmitted on May 27, 1911, to Mr. O. Scribner, Mr. Scribner being at that time, Secretary of the Company.

The report of the Company Geologist on the potentialities of the Salt Creek Field, closed with the recommendation that steps be taken to ascertain terms from the Henshaw, and possibly other interests.

2. A letter dated March 15, 1910, by Mr. D. E. Martin of Los Angeles, California, to Mr. O. Scribner, Secretary.

The substance of this letter is that Mr. Martin had been in Byron, Cody and Salt Creek Oil Fields for the previous ten months, for Messrs. Henshaw and Fitzhugh. Mr. Martin expressed the opinion that Wyoming was one of the coming light oil fields and that if the Company would be interested in the district he, Martin, was available for a position and could make a report thereon.

3. A letter dated April 4, 1909, addressed to Mr. O. Scribner, Secretary, at San Francisco, by Mr. Frank E. Spence, Garland, Wyoming.

In this letter, Spence advised that he had had an offer to do certain development work at Garland and that he had a thousand foot drilling machine and was expecting to have a standard rig within ninety days when he proposed to drill to 2800 feet. Spence further advised that Mr. Henshaw had bought some inside land and put up a $25,000.00 bond to a certain farm owner guaranteeing to oust Montana and Wyoming Oil Company which had secured oil production on the farm and held a 7/8 interest therein. Spence further stated that Henshaw took up the proposition that was presented to the Associated Oil Company by Fitzhugh and that in so doing he, Henshaw, became involved in eight law suits as well as being committed to

the expenditure of $100,000.00 in development work.

4. Letter dated April 20, 1909, addressed to Mr. O. Scribner, Secretary, San Francisco, by Frank E. Spence, Garland, Wyoming.

The substance of this letter is that 70% of the desirable land around Byron was then under lease. Spence also furnished certain data as to prices being paid for land and the availability of leases. Spence also referred to report that Henshaw Fitzhugh interests had moved a drilling rig into the field but expressed doubt as to correctness of such rumor. This letter also includes certain data as to wells and drilling operations.

5. Letter from Mr. Scribner, Secretary, to Mr. W. S. Porter, general manager, dated November 5, 1908, returning Mr. Spence's letters of October 30th and 31st, relative wells and production in Big Horn Basin, Wyoming.

In this letter Mr. Scribner's recommendation was to the effect that it was just as well to let Spence obtain what leases he could and that a cecision could be made later whether there were any developments which would warrant the Company going into the matter further.

A copy of the geological report submitted by R. P. McLaughlin, the Company Geologist, was obtained and is being forwarded herewith for such value as it may have in this matter.

Copies of the other items herein referred to were not obtained. Mr. Hone, the Attorney for the Company, advised that these items would be available if it developed they would prove of value to the Department.

Mr. Hone further advised that one Henry Ach, now deceased, was for many years connected with the Company, being in fact one of its organizers and that Mr. Ach, an attorney, handled, personally, many of the important legal matters for the Company. In this connection, Mr. Hone stated that inasmuch as Mr. Ach was actively interested in the affairs of the Company during the period covering the transactions now of interest to the Department, it is quite probable that some examination and report may have been prepared by Mr. Ach. Mr. Hone also advised that Mr. Ach, although intimately interested in the affairs of the Company, did not occupy an official or executive position with the Company and maintained private offices without other legal associates and that none of the private records of Mr. Ach are available to the Company. In this connection Mr. Hone stated that he has heretofore been advised that many of the private records of Mr. Ach were destroyed after his death.

Mr. Hone also advised that Mr. O. Scribner and Mr. W. S. Porter, referred to in the items listed above, are both deceased.

Mr. R. P. McLaughlin, the author of the geological report herewith transmitted, is now located at 417 S. Hill Street, Los Angeles.

Examination of the San Francisco directory discloses that Mr. William M. Fitzhugh maintains an office in the Fitzhugh Building at 384 Post Street, San Francisco. It is my information that Mr. William Henshaw who formerly had large property holdings in Wyoming, is now deceased and that his son, Mr. Griffiths Henshaw, is the moving spirit in the Henshaw Investment Company of 200 Bush Street, San Francisco, which organization is presumed to be in charge of the properties of the William Henshaw Estate.

As indicated in my wire of the seventh instant, the officials of the Associated Oil Company now advise that in view of the fact that a most exhaustive search of their files and records failed to disclose any report of the nature described or any material referring to the subject matter of this inquiry other than that referred to herein, they are discontinuing any further search for such record and state positively that they have no knowledge of its existence or of its present location, if it is in existence.

Very truly yours,

J.E.P. Dunn.

J. E. P. DUNN,
Special Agent in Charge.

Enc.

GEOLOGY OF THE SALT CREEK OIL FIELD

NATRONA COUNTY, WYOMING.

SEE MAP # 158

The Salt Creek Oil Field is located in Natrona County, Wyoming, about 45 miles by wagon road north of Casper, which is the nearest supply point on the Chicago and North Western Railway. The elevation is about 5000 feet above sea level.

The country is practically devoid of trees and has almost no small streams or other surface water except for short periods following rain or snow storms. Most of the land is still owned by the Government and is used by sheep and cattle men for grazing, except in the summer when there is not enough water. The winters are severe, there being considerable snow and the open country giving full sweep for strong winds. Aside from the climatic difference, operating conditions are similar to those in the San Joaquin Valley of California.

GEOLOGY :

The geology is very simple, there being two prominent formations exposed, the black Pierre shale and overlying Laramie which is largely a coarse white sandstone with beds of lignite or soft coal. Beds of all the formations are regular in thickness and extent and can be traced for many miles without possibility of error. Hard beds of sandstone occur in both formations which in weathering stand out as prominent escarpments a hundred feet and more in height and are land marks referred to by everyone. The sandstone of most prominence and importance is named the Shannon Sand, from the old oil camp at the north end of the field. It is about one hundred feet thick and dips away on all sides from the productive field and is frequently called the rim rock, the structure being an elongated dome or anticline.

62-19388-47

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On both sides of the Shannon Sand is the dark clay shale called Pierre, which is monotonously bedded with occasional thin, hard beds or shells. The total thickness of the shale is over 2500 feet and the lower portion should probably be designated as Benton, but no marked line of difference is to be seen, hence in this report it is all called Pierre and on the accompanying map and cross-section is shown in two colors to simplify the meaning of the drawings. The Pierre shale weathers into sharp deep gulches, giving the form of topography called bad lands. There is a possibility that these shales were the original source of the oil but it is not definitely shown.

The Laramie, being so far above any known oil sands, deserves no further description or mention.

The anticlinal fold which brings the oil sand within reach of the surface and causes the surrounding body of hills is not an uncommon occurrence in the plains flanking the Big Horn Mountains and the Black Hills, in both of which the uplift has been so great that the edges of all the formations from latest to earliest are turned up and exposed.

The occurrence of oil in this locality has been known for many years, being first indicated by a seepage from the Shannon sand a few miles south of the camp by the same name. About twenty years ago a man named Shannon drilled into the sand and got producing wells. For a long time this oil was hauled to Casper and there refined and sold for lubricating purposes. Its gravity is about 23° B. and is of a paraffine base.

DEVELOPMENTS :

The old Shannon property, Section 1-40/79, is at present owned by the Franco-Wyoming Oil Company, which is attempting to further develop it. There are about twenty finished wells ranging in depth from 700' to 1200', only twelve are now producing giving a total of only 40 barrels per day, which is being used as fuel at

other drilling wells. The well farthest north in Section 1 is 2300 feet deep and is a water well. It may show that there is only a limited body of oil in the Shannon sand above the water or perhaps the water was not shut off. All operations were crude and no good records are to be had.

The Shannon people drilled several other wells into the Shannon Sand without success, as follows : Section 29-39/78 to depth of 2100 feet, which shows if the well were properly cased that the Shannon sand does not carry oil at this point; Section 16-39/78, a 900 foot well, which would also indicate that the sand is dry. However, there is a seepage of oil from the Shannon Sand on Dugout Creek about where the Natrona and Johnson County line crosses. Therefore the Shannon Sand should be considered a possible oil producer although a very long chance, as the best place for accumulation of oil has been removed by erosion from the crest of the anticline.

In 1908 the Petroleum Motterschopf Company, known and referred to as the Dutch Company, drilled a well near the center of Section 23-40/79 and at a depth of about 1000 feet encountered a sand now named the Fitzhugh which is the most productive sand thus far entered. The well gushed and is now capped; but oil comes up outside the casing. This discovery stimulated development and that time was the most advantageous for entering the field to obtain holdings.

The most active operations have been carried on by Wm. Henshaw and Wm. Fitzhugh of San Francisco. Their holdings are commonly referred to as the California Company. They have drilled the following wells upon which data could be obtained :

Sec. T.N., R.W.	Depth	Surface Gravel to	Shale to	Oil Sand	Remarks	Casing 10"	Casing 8"	Casing 6"	Drilling Time
25-40/79	1238	32	1166	72	Shale oil at 138'	32	364	1049	28 days
25-40/79	1205		1151	54	50 bbls.			1030	
36-40/79	1449		1287	27	Water	38	538		
11-39/79	1176				Shale oil	38		1176	
6-39/78	680				Shale oil at 615'				
23-40/79	138				Shale oil at 138'				
30-40/78	1720				Shale oil at 575'				
1-39/79	1310		1278		Oil and water				
2-39/79	1160				Shale oil at 1060'				
36-40/79	550				Shale oil at 70&140'				
26-40/79	850								
26-40/79	1030		1006	16	Shale oil at 480' Break in sand				
24-40/79	1065		990	75	50 bbls.				
26-40/79	1060		1040	20	40 bbls.				

There seems to be no record of any well going through the Fitzhugh sand so an estimate of its thickness cannot be accurate but at its outcrop, about eight miles to the west, it is from 150 to 200 feet thick. The drawing accompanying cross-section shows two other sands within 400 feet below the Fitzhugh Sand. While it is not definitely known that they carry oil, it seems probable that they will be productive and should be considered as assets.

About 1400 feet below the Fitzhugh sand is another bed about 200 feet thick, which carries a heavy asphalt oil at its outcrop some twenty miles west of Salt Creek. This sand would be about 2000 feet

from the surface at the crest of the anticline. The regularity and persistence of beds throughout this portion of Wyoming justifies the expectation of similar conditions for so short a distance as twenty miles.

The oil from the Fitzhugh sand is about 39° B. with a green color and paraffine base and should be more valuable for refining than for fuel. No definite idea as to the production of wells can be had as there is no means of disposing of oil and wells are kept capped. There are at least five wells (Secs. 23, 26, 25 and 11) which from all accounts will probably produce 50 or 100 barrels per day.

Completed wells have practically proved the territory within the 2000' contour (an area of about 16 square miles) and the territory between the 2000' and 3000' lines is probable with an area of 38 square miles. The accuracy of the 4000' and 5000' lines is doubtful and nothing is known as to productiveness, but it is possible land.

A pipe line to Casper and the railroad would be about forty miles long over a 500 foot summit.

There has been but little active development since last Fall.

Ownerships are shown on the plat accompanying geologic map and particular attention is directed to the conflicting claims. A thorough investigation of titles would of course be the first step to any attempt to enter the field. The discovery holes shown on the map are all from 50 to 125 feet deep and get some oil in the shale without striking sand, which should be considered as a slight asset. The map may not be complete or accurate with reference to the discovery holes, but is believed to give a fair idea of ground to which good title might be had in the face of the Government withdrawal.

The Mid Western Oil Company, or the Reed Investment Company of Colorado Springs, is reported to have capital sufficient to build their proposed pipe line.

Probably the best titles to land are held by the Henshaw interests and the Dutch Company.

With 150 feet of sand at 10% impregnation :

	Depth	Area sq.mi.	Acres	Barrels of oil
Proved	800 - 1000'	4	2560	334,336,000
	1000 - 2000	12	7680	1,003,008,000
			Total	1,337,344,000
Possible	2000 - 3000	38	24320	3,176,192,000

Before closing any sort of deal a more extended examination would be necessary to determine exactly what the wells will produce when opened and get closer figures on thickness of sands and their porosity.

With above factors the field seems to be among the best along the eastern flank of the Rocky Mountains and I would strongly recommend that steps be taken to ascertain terms from the Henshaw interests and possibly other land holders.

Respectfully submitted,
(Signed) R. P. McLaughlin
Geologist

TO :
Mr. W. A. Williams,
Chief Geologist
Associated Oil Company.

November 17, 1928.

Mr. S. J. McAfee,
P. O. Box 806,
Denver, Colorado.

Dear Sir:

Reference is made to your report of November 5th to which there was attached two photostatic copies of news items appearing in the Denver Post of October 15th and 16th, 1922, and pertaining to the Sinclair Salt Creek Oil Matter. The copies attached to the report are absolutely illegible. It is possible that this condition is due to the condition of the original papers. However, in that event better copies might have been obtained by an enlargement. I am disappointed in these copies and have hesitated to furnish them to the United States Attorneys incharge of the case. However, in view of the urgency of the matter I have forwarded said copies which might be read with the aid of a magnifying glass. I desire that you immediately advise me the reason for the blurred condition of the copies which were sent to this office. I desire also that you be prepared to obtain better copies in the event that you receive a telegram from this office directing you to do so.

Very truly yours,

Director.

BUREAU FILES DIVISION
MAILED
NOV. 17 1928
P. M.
DEPT. OF JUSTICE

OC

13

THIS CASE ORIGINATED AT WASHINGTON FIELD

REPORT MADE AT:	DATE WHEN MADE:	PERIOD FOR WHICH MADE:	REPORT MADE BY:
Denver, Colo.	11/12/28	11/9 - 12/28	S. J. McAFEE, SAC - RJI

TITLE:	CHARACTER OF CASE:
SINCLAIR SALT CREEK CONTRACT	MISCELLANEOUS CLASSIFICATION

SYNOPSIS OF FACTS: Two photostat copies of Sinclair news items in Denver Post, Denver, Colo. under dates of October 15 and 16, 1922, forwarded to Bureau.

R. U. C.

REFERENCE: Director's letter dated Nov. 3, 1928.

62-19388-48

DETAILS:

As requested in letter of reference received Nov. 6, 1928, Agent went to the Denver Post and made request for copies of their papers dated October 15th and 16, 1922, and was informed that they could not furnish me with copies of those issues; consequently, it was necessary to have same photostated.

Upon request Agent was permitted to take the files of the Denver Post to the Veterans Bureau, where the photostat copies were made.

Two copies of photostat of each edition sent to the Bureau and enclosed herewith, and one copy retained in the file of the Denver Office.

REFERRED UPON COMPLETION TO THE OFFICE OF ORIGIN
NO FURTHER ACTION HERE

DO NOT WRITE IN THESE SPACES

APPROVED AND FORWARDED: S J McAfee SPECIAL AGENT IN CHARGE	62-19388-48 BUREAU OF INVESTIGATION	RECORDED AND INDEXED: NOV 15 1928
WASHINGTON REFERENCE:	NOV 15 1928 A M. DEPARTMENT OF JUSTICE	CHECKED OFF: NOV 20 1928
COPIES OF THIS REPORT FURNISHED TO: 2-Bureau 2-Wash Field 2-Denver	ROUTED TO: Div. One / Div. Three FILE	JACKETED:

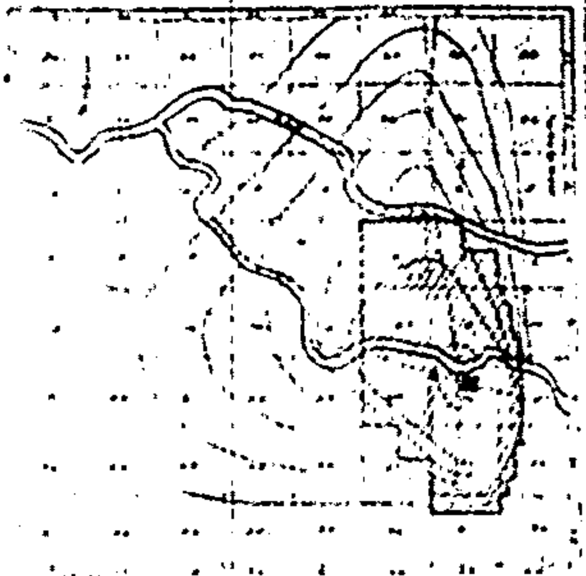
Report Form No. 7-1323

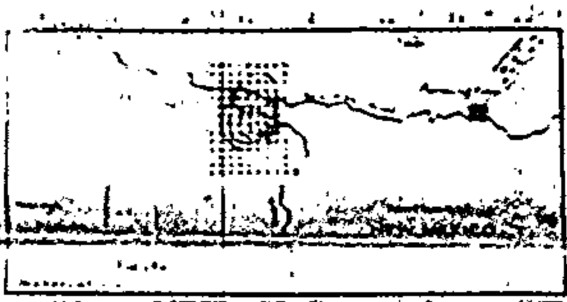
62-239-2

LEADING BUSINESS AND FINANCIAL PAGE

NEW HOGBACK DOME OIL FIELD IN NEW MEXICO PROMISES MUCH

STRUCTURE MAY BECOME ONE OF BIG PRODUCERS





Boston Wool Market

Mining Quotations

W. R. GIVEN & CO.

MONEY IN GRAIN

Market Indicator

Standard Oil Securities

DUNHAM & CO.

Amter and Company

Amter & Company

THOUSANDS OF PEOPLE VISIT US DAILY

COLORADO OIL EXCHANGE

PRODUCERS AND REFINERS FIRM ACQUIRES FENSLAND OIL LEASES

1,300 ACRES IN SALT CREEK FIELD, WITH SEVERAL PRODUCING WELLS, EFFECTED IN CASPER TRANSACTION

Control in Fensland Company May Have Changed Hands in Deal Whereby Valuable Holdings Are Taken Over by Producers and Refiners

A [illegible]

N. Y. Stock Exchange

N. Y. Curb Market

RADIO HELPED SUBDUE CENTRAL AFRICA NATIVES

Black Savages Believed Wireless Could Detect Their Whispers

JUNGLE BANQUET IS TO BE FEATURE OF HOMECOMING DAY

LOCAL SECURITIES UP TO 1:30 P. M.

WOMEN OF BRITAIN ENDANGER HEALTH BY THEIR SMOKING

Eastern Produce

New York Cotton

GRAIN AND PROVISIONS IN CHICAGO

November 19, 1928.

V.H:EKT:AV

62-19388-49

NOV 20 1928

MEMORANDUM FOR COLONEL DONOVAN
Assistant to the Attorney General

In connection with the case entitled: SALT CREEK OIL COMPANY (Tea Pot Dome Investigation) - Antitrust Matter, I am transmitting herewith a copy of the report of Special Agent J. A. Brann, dated November 15, 1928, at New York City.

Very truly yours,

Director.

Encl. #109752

JH.

BUREAU FILES DIVISION
MAILED
NOV 19 1928
P. M.
DEPT. OF JUSTICE

THIS CASE ORIGINATED AT NEW YORK CITY

REPORT MADE AT:	DATE WHEN MADE:	PERIOD FOR WHICH MADE:	REPORT MADE BY:
NEW YORK CITY	11-15-28	10/27, 11/3/28	J. A. BRANN

TITLE:

SALT CREEK OIL COMPANY
(Tea Pot Dome Investigation)

CHARACTER OF CASE:

ANTI-TRUST MATTER

62-1938[8-49]

NEW YORK FILE #60-113.

SYNOPSIS OF FACTS:

Further examination made of oil publications for purpose of collating comments and statistics in connection with leases made by Department of the Interior of the United States Government in Salt Creek Oil Fields, Montana and Wyoming to the Sinclair Oil interests.

PENDING

INVESTIGATION • BUREAU ... NOV 16 1928

REFERENCE: Report of Special Agent J. A. Brann, New York, N. Y., dated September 7, 1928.

DETAILS: AT NEW YORK CITY.

Three additional days were spent during this period by the writer in further examination of oil periodicals, statistical oil publications, both weekly and monthly at the New York Public Library for the purpose of collating and digesting any figures or articles which might shed light on official, public or trade opinion regarding the leases made by the Department of the Interior under the regime of Secretary Fall to the Sinclair interests in the Salt Creek Oil Fields in Montana and Wyoming.

DETAILS:

The examination of all periodicals was not completed due to the fact that nearly all of the writer's time during this period has been devoted, at the request of Special Assistant Attorney General Kenyon of the New York Anti-Trust Division to another more pressing investigation being handled by that Division

DO NOT WRITE IN THESE SPACES

APPROVED AND FORWARDED: Frank X Donnell acting SPECIAL AGENT IN CHARGE

62-19388-49

BUREAU OF INVESTIGATION

NOV 16 1928 A.M.

DEPARTMENT OF JUSTICE

RECORDED AND INDEXED: NOV 16 1928

CHECKED OFF: NOV 20 1928

JACKETED:

WASHINGTON REFERENCE:

COPIES OF THIS REPORT FURNISHED TO:

3 Bureau

2 New York

ROUTED TO: Div. Three

FILE:

Report Form No. 1

7—1328

AFOB

Donovan 11-19-28

and upon which the writer has been working some months past.

As set forth by the writer in a prior report, many of the articles appearing in the aforementioned journals are refuted or made useless by subsequent articles and therefore, to avoid any unnecessary duplication of work, a complete report setting forth extracts from these various journals will not be made until the entire examination has been finished, thereby eliminating a very considerable amount of unnecessary stenographic work.

It is thought by the writer that possibly one week more of intenseive work will suffice to complete this examination which has been very comprehensive and exhaustive.

PENDING

62-19388-

November 17, 1928.

Mr. W. Houston Kenyon, Jr.,
Special Assistant to
The Attorney General,
c/o The United States Attorney,
New York, N. Y.

Dear Sir:

Referring further to your request of the 5th instant that photostatic copies of certain issues of the Denver Post containing articles on the Sinclair Salt Creek matter be obtained and forwarded to you, I inclose herewith one photostatic copy each of the two articles described in your letter of the 5th instant.

I note that these copies are very blurred and that it may require the aid of a magnifying glass in order to be able to read them. Ordinarily, I would have immediately requested more legible copies, but knowing that you are awaiting this information, I transmit the inclosed copies to you and if you desire more legible copies, kindly advise and I will see that they are promptly obtained if it is possible to obtain such copies.

Very truly yours,

Director.

Inc. 109652.

RECORDED

62-19388-50
BUREAU OF INVESTIGATION
NOV. 19 1928 A. M.
DEPARTMENT OF JUSTICE
FILE

BUREAU FILES DIVISION
MAILED
NOV. 17 1928
P. M.
DEPT. OF JUSTICE

December 1, 1928.

62-1[illegible]-1

Mr. W. Houston Kenyon, Jr.,
Special Assistant to
The Attorney General,
c/o The United States Attorney,
New York, N. Y.

Dear Sir:

With further reference to your request for photostatic copies of certain issues of the Denver Post containing articles on the SINCLAIR SALT CREEK matter, I inclose herewith for your information copy of a letter received from Special Agent in Charge McAfee, at Denver, Colorado, under date of November 24, 1928, from which you will note the difficulty encountered in obtaining clear and legible copies of these papers.

Inasmuch as I have heard nothing from you since the records were transmitted to you on November 17th, I presume that you have been able to obtain the information you desired from the copies submitted to you.

Very truly yours,

Director.

Inc. 109662.

BUREAU FILES DIVISION
MAILED
DEC 1 1928
P. M.
DEPT. OF JUSTICE

out 62-19388

Department of Justice

Bureau of Investigation

P. O. Box 806,
Denver, Colorado,
November 24, 1928.

Director,
Bureau of Investigation,
Department of Justice,
Washington, D. C.

Dear Sir:

Reference is made to your letter of November 17, 1928, in regard to the photostatic copies of news items appearing in the Denver Post October 15th and 16th, 1922, and pertaining to the Sinclair Salt Creek Oil Matter, and asking me to advise you the reason for the blurred condition of these copies which were sent your office.

Please be advised that after some hesitancy I was permitted to remove the Denver Post's files to the Denver Veterans Bureau for the purpose of having the photostatic copies made. The Denver Veterans Bureau have the largest photostatic machine that I know of in Denver, and they usually turn out excellent work. The operator tried his best to get clear copies of these pages, even making three different sets, in an effort to obtain clear copies, but was unable to get results. We selected the best copies that were obtained and sent them to your office.

I do not know how we are going to get any better photostatic copies of these papers. I tried to get the original pages of the paper, but was informed that they could only furnish me with one copy, and that I would have to have the other copy photostated. They would furnish me one copy for $6.00, and I can still obtain this copy if you desire to pay the price.

If you still desire I will endeavor to get the Denver Post files again and we will try and see if we cannot get more perfect copies, but from the experience before, I doubt very much if we can improve on them with ~~the facilities~~ they have.

RECORDED 62-19388-51

Very truly yours,

S J McAfee

S. J. McAFEE,
Special Agent in Charge.

DEC 8 1928

NOV 27 28 A. M.

SJM:RJI.
62-239-4

ADDRESS REPLY TO "UNITED STATES ATTORNEY" AND REFER TO INITIALS AND NUMBER

W.H.K.Jr.

61906

Department of Justice

United States Attorney's Office

New York

3

R.S.S.

December 6, 1928.

Mr. J. Edgar Hoover, Director,
Bureau of Investigation,
Department of Justice,
Washington, D. C.

62-19388

Dear Mr. Hoover:

Thank you for your letter of December 1, 1928, with its enclosure, relating to the Sinclair-Salt Creek matter. Absence from the city has prevented my answering your earlier letter of November 17th.

Quite recently I have been able to develop from direct sources the information sought from the Denver papers. Therefore, I do not need to rely upon them, nor will it be necessary to procure more legible copies.

Thank you for your ever efficient help in this matter.

Very truly yours,

W. H. Kenyon, Jr.

W. HOUSTON KENYON, Jr.
Special Assistant to
The Attorney General.

DEC 7 1928

RECORDED

DEC 7 1928

62-19388-52
BUREAU OF INVESTIGATION
DEC 8 '28 A. M.
Div. One
Div. Three

V.H:AM
62-19388-53

January 11, 1929.

JAN 14 1929

Mr. W. Houston Kenyon, Jr.,
Special Assistant to the
Attorney General,
c/o The United States Attorney,
New York City.

Dear Mr. Kenyon:

I wish to acknowledge receipt of your letter of the 8th instant in connection with the investigation of the Sinclair Salt Creek Royalty Oil Contract.

I note that you desire to obtain certain information with regard to the contracts for and details of the construction of certain pipe lines.

In view of the importance of this matter, I consider it advisable to have one competent Agent make all of the necessary inquiries, and I have therefore instructed Special Agent Bliss Morton, attached to the Indianapolis Office of the Bureau, to promptly report to you and thereafter conduct whatever investigation you may desire.

In all probability it will be several days before Special Agent Morton can report to you.

Very truly yours,

Director.

BUR. OF INVESTIGA[TION] JAN 12 1929 DIVI[SION]

BUREAU FILES DIVISION MAILED JAN 11 1929 P. M. DEPT. OF JUSTICE

Div. One

ADDRESS REPLY TO "UNITED STATES ATTORNEY" AND REFER TO INITIALS AND NUMBER

W.H.K.Jr.

61906

JAN 9 1929

Department of Justice

United States Attorney's Office

New York

R.S.S.

January 8, 1929.

RECORDED & INDEXED
JAN 14 1929

62-19388-53

letter M.H. Kenyon, N.Y.C. 1-11-29

Honorable J. Edgar Hoover, Director,
Bureau of Investigation,
Department of Justice,
Washington, D. C.

Re: Investigation Sinclair Salt Creek Royalty Oil Contract.

62-19388

Dear Mr. Hoover:

There is a branch of the above investigation on which I seek your help. This is as follows:

On December 20, 1922, Secretary of the Interior Albert B. Fall executed a contract selling for a term of years the Government's royalty oil accruing in the Salt Creek (Wyoming) oil field to the Sinclair Crude Oil Purchasing Company. At the same time a separate contract was signed whereby the Sinclair Pipe Line Company agreed to build a pipe line of 40,000 barrel daily capacity from Salt Creek to a point in Missouri where connection could be made with existing pipe lines leading from Texas and Oklahoma to the refineries near Chicago. If these contracts had been entered into without fraud or corruption it would be natural to suppose that the Sinclair companies would have commenced operations for the construction of this pipe line subsequent to the date of the above contracts.

As a matter of fact information has come to me that the Sinclair companies committed themselves to the building of this pipe line two or three months earlier. This may be evidence of a corrupt understanding with Secretary Fall that the oil would be sold to the Sinclair interests.

I have information from press clippings found in the files of the Navy Department as follows:

1. On or shortly prior to September 20, 1922, the Sinclair Pipe Line Company entered into a contract with the National Tube Co. of McKeesport for the purchase of enough pipe to build a line a thousand miles long from Wyoming to east of the Mississippi River.

2. On or prior to October 14, 1922 "Sinclair interests" purchased twenty large ditchers from Buckeye Traction Ditcher Co., Findlay, Ohio, to be delivered at various points between Casper, Wyoming, and points in Kansas.

Inasmuch as the line which the Sinclair Pipe Line Company afterwards built in 1923 leading from Salt Creek, Natrona County, Wyoming, to Freeman, Missouri, is the only pipe line leading out of the State of Wyoming, the information above may have important significance of the existence of a corrupt understanding between Sinclair and Fall some months prior to the sale of the royalty oil on December 20, 1922.

It is requested that a competent agent be assigned to interview the companies from whom the Sinclair interests are said to have purchased pipe line equipment on the dates given above with a view to ascertaining when such equipment was sold, to whom, and details of the size of the pipe, delivery points, and name of the representative acting for the Sinclair interests in the transaction.

If you think it desirable I would be very glad to talk in advance, or during the course of this investigation, with whatever agent you may assign to the work.

Very truly yours,

W. H. Kenyon, Jr.

W. HOUSTON KENYON, Jr.
Special Assistant to
The Attorney General.

Div. One

THIS CASE ORIGINATED AT WASHINGTON, D. C.

REPORT MADE AT:	DATE WHEN MADE:	PERIOD FOR WHICH MADE:	REPORT MADE BY:
WASHINGTON, D. C.	1/22/29	9/22/28	R.A.W. LATIMER, Principal Acct.

TITLE:	CHARACTER OF CASE:
SINCLAIR SALT CREEK CONTRACT	ANTI-TRUST MATTER

FILE #A-60-62

SYNOPSIS OF FACTS: This case was investigated by Special Accountant H. C. Ovitt and the summary report thereon, dated September 11, 1928, was submitted to the Bureau on September 22, 1928. CLOSED.

62 - 19388

DETAILS: - AT WASHINGTON, D. C. -

The summary report of Accountant Ovitt on this matter was submitted to the Bureau September 22, 1928. Under the regulations set out in the Bureau Manual an Anti-Trust case should be closed upon the submission of the Accountant's summary report. This case is, therefore, closed.

CLOSED.

DETAILS:

DO NOT WRITE IN THESE SPACES

APPROVED AND FORWARDED: [signature] SPECIAL AGENT IN CHARGE

62-19388-54
BUREAU OF INVESTIGATION
DEPARTMENT OF JUSTICE

RECORDED AND INDEXED: JAN 14 1929

CHECKED OFF: JAN 15 1929

JACKETED: 9/10

COPIES OF THIS REPORT FURNISHED TO:

Bureau-3 File-2

ROUTED TO: FILE

7-1323

ADDRESS REPLY TO
"UNITED STATES ATTORNEY"
AND REFER TO
INITIALS AND NUMBER

W.H.K.Jr.

61906

Department of Justice

United States Attorney's Office

New York

R.S.S.

January 12, 1929.

62-19388

Honorable J. Edgar Hoover, Director,
Bureau of Investigation,
Department of Justice,
Washington, D. C.

Dear Mr. Hoover:

Thank you for your letter of January 11, 1929. Mr. McKean has been in touch with me by phone regarding Special Agent Bliss Morton.

Very truly yours,

W. H. Kenyon, Jr.

W. HOUSTON KENYON, Jr.
Special Assistant to
The Attorney General.

RECORDED
JAN 15 1929
OC

62-19388-55
[illegible] INVESTIGATION
JAN 14 1929
Div. Three

[illegible]

62-19[illegible]-[illegible]

January 22, 1929.

JAN 24 1929

Mr. C. D. McKean,
P. O. Box 70,
Wall Street Station,
New York City.

Dear Sir:

Kindly refer to the report of Special Agent H. C. Leslie, dated January 14, 1929, in the case of JOHN K. ROBISON, Ex-Admiral, United States Navy - Miscellaneous, New York file 62-2403.

The Bureau notes in the third paragraph of this report, a statement that Agent Leslie obtained certain information from a confidential source, but the Bureau has not to date received a separate communication setting forth the name of this confidential informant. You are directed to comply immediately with Section 26 of the Manual of Rules and Regulations in this respect, advising the Bureau of your reasons for failing to handle this matter in the prescribed manner.

Very truly yours,

Director.

THIS CASE ORIGINATED AT NEW YORK CITY

REPORT MADE AT:	DATE WHEN MADE:	PERIOD FOR WHICH MADE:	REPORT MADE BY:
NEW YORK CITY	1-14-29	1-12-29	H. C. LESLIE

TITLE:	CHARACTER OF CASE:
JOHN K. ROBISON, Ex-Admiral, U.S. Navy.	MISCELLANEOUS - REQUEST TO ASCERTAIN ADDRESS.

BUR. OF INVESTIGATION JAN 16 1929 DIVISION 2

NEW YORK FILE #62-2408

62-19388

BUR. OF INVESTIGATION JAN 17 1929 DIVISION NO. 3

SYNOPSIS OF FACTS:

At request of W. Houston Kenyon, Jr., Special Assistant to the Attorney General, Agent located Admiral John K. Robison at Le Marquis Hotel, 12 E. 31st Street, New York City, where he is living with his wife.

CLOSED

DETAILS: AT NEW YORK CITY

This investigation is based on letter received from W. Houston Kenyon, Jr., Special Assistant to the Attorney General, dated January 8, 1929 at United States Attorney Office, New York City, in which he advised that in connection with an investigation of fraud upon the United States in the sale by Secretary of the Interior Albert B. Fall in 1922 of the Government's Salt Creek royalty oil, it has become necessary to interview the above named Subject, whose address was given as the New York Yacht Club, New York, N.Y.. Mr. Kenyon requested that discreet inquiry be made to locate Subject's present address.

In accordance with the above request, Agent called at 37 W. 44th Street, and was advised that Admiral Robison has not resided at this Club for some time and that they could not furnish his present address but would forward any mail addressed to him.

DETAILS:

Agent learned from a confidential source that Admiral Robison was residing at the Le Marquis Hotel, 12 E. 31st Street. Agent accordingly made discreet inquiries at the aforementioned hotel and ascertained that Admiral Robison and his wife are at present residing at this hotel. This investigation will, therefore, be considered closed.

CLOSED

DO NOT WRITE IN THESE SPACES

APPROVED AND FORWARDED:		SPECIAL AGENT IN CHARGE	62-19388-36	RECORDED AND INDEXED: JAN 18 1929
WASHINGTON REFERENCE:	COPIES OF THIS REPORT FURNISHED TO: 2-Bureau 1-W.H.Kenyon, Jr., Sp. Asst. to Atty. General, N.Y. 2-New York		BUREAU OF INVESTIGATION JAN 16 1929 A.M. DEPARTMENT OF JUSTICE	CHECKED OFF: JAN 24 1929
			ROUTED TO: Div. One / Div. Three FILE	JACKETED:

7-1323

JAN 16 1929
GR

THIS CASE ORIGINATED AT NEW YORK CITY

REPORT MADE AT:	DATE WHEN MADE:	PERIOD FOR WHICH MADE:	REPORT MADE BY:
Indpls. Ind.	1-21-29	1-14/19-29	Bliss Morton - S

TITLE:	CHARACTER OF CASE:
SINCLAIR CRUDE OIL PURCHASING COMPANY	Conspiracy to Defraud the Government

SYNOPSIS OF FACTS:

The National Tube Company, McKeesport, Pa., had no contracts with subject company. However, Geo.H.Fricke, New York City, received order from subject company Sept.12, 1922, for about one thousand miles of pipe, which was later shipped to points in Illinois, Missouri, Kansas, Texas, Louisiana, Iowa, and Oklahoma. The Buckeye Traction Ditcher Co., Findlay, Ohio, received orders from subject company for two ditching machines and three pipe screwing machines in January and February 1923, to be shipped to Clayton and Casper, Wyoming.

BUREAU OF INVESTIGATION JAN 23 1929

REFERENCE: Verbal instructions from the Director, which were amplified by Mr.W.Houston Kenyon, Jr., Special Assistant to the Attorney General.

DETAILS: At Pittsburgh, Pa.

Agent called at the general offices of the National Tube Company (factory at McKeesport, Pa.) Fricke Bldg., Pittsburgh, Pa., and was introduced to Mr. D.H.Ramsbottom, Assistant General Manager of Sales for said company. Inquiry was made of him concerning alleged contract with or order from the subject company for approximately 1,000 miles of pipe for use in construction of oil pipe lines from Wyoming and Montana to points east of the Mississippi River. The Department files in this case show a photostat copy of a clipping from some paper or periodical under date of Sept.20, 1922, with reference to the above.

Mr.Ramsbottom stated that his company had never had any contracts with the subject company. He stated, however, that quantities of their pipe were sold through Mr.E.B.Arnold of New York City and that Mr.Arnold might have had

DO NOT WRITE IN THESE SPACES

APPROVED AND FORWARDED:	SPECIAL AGENT IN CHARGE	62-19388-57 ~~46-1053~~	RECORDED AND INDEXED: JAN 23 1929
WASHINGTON REFERENCE:	COPIES OF THIS REPORT FURNISHED TO: 3 Bureau 1 New York (1 U.S.Atty.,New York, for Mr.W.Houston Kenyon, Jr., Spec.Asst.to the Atty.Gen.)	BUREAU OF INVESTIGATION JAN 23 1929 A.M. DEPARTMENT OF JUSTICE ROUTED TO: Div. Three	CHECKED OFF: JAN 25 1929 JACKETED: FILE:

BM copy Col Donovan 1-24-29

contracts with subject company. He stated that Arnold died in 1924 and Arnold's business is now carried on by one of his associates, Geo.H. Fricke, 26 Broadway, New York City.

At New York City

Mr.Geo.H.Fricke, Room 437, #26 Broadway, informed agent that while he was with Mr.Arnold the latter obtained one order from subject company. Arnold at no time had a contract with subject company, but the order was sent in on the regular order blank of the subject company. It bears Arnold's number 13212. He produced to agent said order, a copy of which is given below:

SINCLAIR PIPE LINE COMPANY Order 28303
Sinclair Building Req.3171.

Tulsa, Okla., Sept.12, 1922.

E.B.Arnold, Agent,
26 Broadway,
New York City.

Please furnish us with the articles named below, sending invoices in triplicate and bills of lading or express receipts to Purchasing Department, P.O.Box 2027, Tulsa, Okla.

436 miles	(2302080')	8"	29.213#	8thd	1200#	Test hd.ft.	$96.35
88 miles	(464640')	10"	41.644#	8thd	1000#	Test hd.ft.	139.11
429 miles	(2265120')	12"	50.916#	8thd	900#	Test hd.ft.	166.28

All of above to be National Tube Company's Open Hearth Lap Weld Black Steel Line Pipe, to be made in accordance with National Tube Company Open Hearth Line Pipe specifications #2-A of April 1, 1919, and no joints to be under 18' in length FOB Pittsburgh, Pa.

Terms: 2% - 15 days or 30 days net.
Delivery: To start within 3 weeks from Sept.8, 1922, and to be shipped at the rate of 5 miles of 8" per day, one miles of 10" per day and 4 miles of 12" per day until the entire specification is rolled and shipped.

This is an order 9-8-22.
FOB Pittsburgh, Pa.
Terms 2% 15 days, 30 days net.
Delivery See above
Charges

The seller hereby agrees to protect and save harmless the purchaser from all costs, expenses, or damages arising out of alleged infringe-

ment of patents in the use of articles by this order. Itemized packing list showing order number must accompany each shipment.

The seller hereby guarantees that the material furnished under this order was produced in accordance with the Federal Child Labor Act of Sept.1, 1916, and certification to this effect must be made on invoices.

Ship via freight collect.

SINCLAIR PIPE LINE COMPANY

(Signed) H.A.Woodard, Purchasing Agent.

Mr.Fricke informed agent that their records show shipments on the above mentioned order began Sept.15, 1922, and continued until the latter part of January, 1923, and were made to various points in Illinois, Missouri, Kansas, Texas, Louisiana, Iowa, and Oklahoma. Mr.Fricke states he had talked with Mr.J.C.Hoot, Purchasing Agent of the Sinclair Company in theSinclair Building, New York City, a few days prior to the receipt of thisorder. He does not know where Mr.Hoot is located at this time. Mr.Fricke did not know for what particlar oil the pipe mentioned in the above order was to be used. The pipe was shipped on orders a mile or so at a time, and therefore there are several hundred orders on file in Mr.Fricke's office covering shipments of the pipe mentioned in the above quoted order. Mr.Fricke states he had no contract at any time with the subject company but that the shipping was made on the order above quoted.

At Findlay, Ohio.

Agent called at the office of the Buckeye Traction Ditcher Company. The Department files in this case show aphotostat copy of an article, probably taken from the Oil and Gas Journal, with a Casper, Wyoming, date line of Oct.14, 1922, which indicates that the Sinclair interests had contracted with the Buckeye Traction Ditcher Company of Findlay, Ohio, for 20 ditchers to be delivered at different points between Casper, Wyoming, and Paoli, Kansas.

Mr.E.R.Mellott, Asst.Secretary of the Buckeye Traction Ditcher Company, informed agent that their company had at no time made a contract with the subject company. His company had received orders on the stationery of the subject company for equipment. He found no orders from subject company bearing dates in 1922. He found three orders from subject company bearing dates early in 1923. An order dated Jan.16, 1923, calls for two traction ditching machines #3, to be shipped to Casper, Wyoming, and Clayton, Wyoming. This order is signed by H.A.Woodard, Purchasing Agent, Tulsa, Okla., and bears the notation that it is in confirmation of verbal arrangements with Mr.Burdue.

Another order dated Jan.16, 1923, from subject company is for two #2 pipe screwing machines to be shipped to Casper, and Clayton, Wyoming, and is confirmation of verbal order to Mr.Burdue of Jan.15, 1923. This order also is signed by Mr.Woodard. Another order is dated Feb.1, 1923, for one #2 pipe screwing machine to be shipped to Clayton, Wyoming, in confirmation of previous verbal arrangements with Mr.Burdue, and is signed by Mr.Woodard.

Mr.Mellott states that his company makes no contracts with large, well known companies and organizations, but ships to them on their orders, which was done in this case. He does not know what, if any, previous arrangements Mr.Burdue had with the Sinclair Pipe Line Company, nor when Mr.Burdue might have begun negotiations with said company. He states that Mr.Hugh S.Burdue was the agent at Tulsa, Okla., for the Buckeye Traction Ditcher Company, but severed his connection with said company about three years ago.

At Lorain, Ohio.

Agent found that Mr.Hugh S.Burdue is now a Federal Prohibition Agent, employed under the direction of the Prohibition Administrative Officer in Charge, Engineers Bank Building, Cleveland, Ohio. Agent found him on some special work at Lorain, Ohio. He readily remembered that he had obtained orders from Mr.Woodard of the subject company, but was quite certain that the number of machines ordered was no where near 20, but possibly five or six. He states that they were to be used on a line from Casper, Wyoming, to some point near Kansas City, which information was given him by Mr.Woodard. He believes the company bought three pipe screwing machines and three ditching machines. He does not know how long prior to the date the order was placed Mr.Woodard and he had been negotiating on the matter. The verbal arrangements which he had with Mr.Woodard included certain mechanical changes in Buckeye machinery to make them more fitted for the subject company's use.

Mr.Burdue stated that he might have among his personal effects at home memoranda concerning his transactions with Mr.Woodard. After this conversation with him at Lorain, Ohio, agent saw him a few days later and he stated he had looked through his papers at home and had been unable to find anything bearing on the matter in question. He stated that later if he would find anything that would assist him in placing the date when Mr.Woodard and he began negotiations he would write agent to that effect. He suggested that agent interview the man who had been representative of the Buckeye Traction Ditcher Company at Tulsa, Okla., just prior to the time he took up their work. This man is Mr.Leroy Taylor, who at present is a representative of the Buckeye Traction Ditcher Company at Cleveland, Ohio. Agent interviewed Mr.Taylor at Cleveland and he states that he has no recollection of handling any matters for his company with the subject company since he has been in their employ. He could throw no light on the matter in question.

62-19388-

January 24, 1929.

V.JH:AM
~~45-1055-1~~
62-19388-57

RECORDED JAN 25 1929

62-19388

MEMORANDUM FOR COLONEL DONOVAN
Assistant to the Attorney General

For your information, I inclose herewith a copy of a report by Special Agent Bliss Morton of the Indianapolis, Ind., Office of the Bureau, covering investigation as requested by Mr. Kenyon at New York in the matter of the SALT CREEK OIL CONTRACT. You will note that a copy of this report has been furnished to Mr. Kenyon.

Very truly yours,

Director.

Inc. 110646.

BUREAU FILES DIVISION
MAILED
JAN 24 1929
P. M.
DEPT. OF JUSTICE

Department of Justice
Bureau of Investigation

Post Office Box #70
Wall Street Station
O'D:R New York City. January 23, 1929

Director,
Bureau of Investigation,
Department of Justice,
Washington, D. C.

62-1938

BUR. OF INVESTIGATION
JAN 24 1929
DIVISION NO. 3

Re: JOHN K. ROBISON
Miscellaneous
New York File #62-2408

Dear Sir:

Receipt is acknowledged of your letter of January 22, 1929 in the above entitled case. In reply to same I beg to state that the name of the confidential informant referred to by Special Agent H. C. Leslie in the third paragraph of his report dated January 14, 1929 is Mr. Frank A. Watts, Assistant Inspector, Naval Intelligence, New York City.

Agent Leslie's absence from New York on another investigation has prevented his earlier furnishing me with this information and my earlier reporting of it.

Very truly yours,

C. D. McKean

C. D. McKEAN
Special Agent in Charge

62-19388-57X
~~62-19388-1-1~~

RECORDED
JAN 25 1929

JAN 24 1929

Div. Three

YWH:AM POSTAL January 24, 1929.

FRANK COLE
BUREAU OF INVESTIGATION
DEPARTMENT OF JUSTICE
FEDERAL BUILDING
INDIANAPOLIS INDIANA

REFER REPORT AGENT MORTON JANUARY TWENTY FIRST OIL CASE ADVISE IF

MORTON CONSIDERS INVESTIGATION COMPLETE

HOOVER

62-19388

62-19388-58

~~46-1053-2~~

P. M.

POSTAL TELEGRAPH - COMMERCIAL CABLES

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Form 16 DbI

~~40 SM~~ 40 COLLECT

BX INDIANAPOLIS IND JAN 24 29

3-MA

DIRECTOR BUREAU OF INVESTIGATION,

WASHN DC.

62-19388

RETEL TODAY AGENT MORTON BELIEVES HE HAS FINISHED WORK AT MCKEESPORT AND FINDLAY AND KNOWS OF NO FURTHER WORK TO BE DONE UNLESS BUREAU DESIRES MORTON TO TAKE UP WORK WHICH AGENT BRANN HAD UNDER CONSIDERATION WHEN TAKEN ILL.

COLE

RECORDED

445PM

JAN 25 1929

62-19388-59

~~#6-1053-3~~

BUREAU OF INVESTIGATION

JAN 25 1929 P. M.

DEPARTMENT OF JUSTICE

FILE

Div. Three

COPY FILED IN 66-2834

...cil.
...:00 pm.

January 29, 1929.

VWH:AM
62-19388-60

JAN 31 1929

Mr. W. Houston Kenyon, Jr.,
Special Assistant to The
Attorney General,
c/o The United States Attorney,
New York City.

Dear Mr. Kenyon:

Referring further to your recent request for certain investigation in the Salt Creek Royalty Oil Contract matter, I inclose herewith for your information, a copy of a letter addressed to this office by Special Agent Bliss Morton of the Indianapolis Office of the Bureau, under date of January 26th.

It is noted that a copy of Agent Morton's report dated January 21, 1929, has heretofore been furnished to you, and it is desired that you advise if the information contained in that report is sufficient for your purposes and if not, what further investigation may be required.

Very truly yours,

Director.

Inc. 110667.

BUREAU FILES DIVISION
MAILED
JAN 29 1929
P. M.
DEPT. OF JUSTICE

Department of Justice

Bureau of Investigation

62- 19388

Box 434,
Indianapolis, Indiana
January 26, 1929

62-19388-60
BUREAU OF INVESTIGATION
JAN 28 1929
Div. One
Div. Two
Div. Three

Director,
Bureau of Investigation,
Department of Justice,
Washington, D.C.

RECORDED & INDEXED
JAN 31 1929

Dear Sir:

Letter to
Mr. Kenyon
1-29-29

Re: Sinclair Oil Producing Co.,
Conspiracy to defraud the Government

Referring to your telegram of the 24th instant, inquiring whether I considered the investigation of this matter completed, I would state that on the 14th instant when I was referred to Mr. W. Houston Kenyon, Jr., Special Assistant to the Attorney General, the latter instructed me in three matters he wished inquired into and which were connected with this case, namely:

1. Alleged contract between the Sinclair interests and The National Tube Co., McKeesport, Pa., for 1000 miles of pipe line.

2. Alleged contract between the Sinclair interests and The Buckeye Traction Ditcher Co., Findlay, Ohio, for twenty ditching machines.

3. The third matter was to consult agent Brann of New York who had been delving into old periodicals and papers at the New York Public Library, and follow out any leads he might have uncovered, which were similar to those mentioned above.

Div. One
JAN 28 1929

DIVISION ONE BUR. OF INVESTIGATION
JAN 28 1929

It was my belief I had folowed out the first two matters, and agent Brann was too ill while I was in New York to go over his papers. I presumed, after he had recovered sufficiently to go over his papers, and if he had discovered other leads similar to the above, the Bureau would either notify me or some other agent to go forward with the matter.

Very truly yours,

Bliss Morton
BLISS MORTON
Special Agent

BM:SR
Forwarded: Frank Cole
Special Agent in Charge

[illegible]
62-19388-61

February 7, 1929.

RECORDED FEB 9 1929

Mr. C. D. McKean,
P. O. Box 70,
Wall Street Station,
New York City.

Dear Sir;

During January, 1929, Special Agent Eliss Morton of the Indianapolis Office made a special investigation of certain matters in the Salt Creek Oil Contract case for Mr. J. Houston Kenyon, Jr., Special Assistant to the Attorney General, at New York. A copy of Agent Morton's report, dated January 21, 1929, was sent to your office.

Subsequent to the receipt of the report of Agent Morton, this office received a letter from that Agent stating that he had covered the case as instructed by Mr. Kenyon with the exception of a conference with Special Agent Brann of your office who had been examining old periodicals and papers in the New York Public Library, and who, it was expected, would have discovered certain leads which ought to be investigated. A copy of this letter was forwarded to Mr. Kenyon at New York and the Bureau is now in receipt of a letter from Mr. Kenyon in which he states that he is particularly anxious that any leads which may have been discovered by Agent Brann be immediately investigated. It is desired that you advise whether or not Agent Brann has developed any information upon which a further investigation might be predicated, and if so, arrangements will be made to have the investigation promptly assumed. Please so advise Mr. Kenyoh at New York.

Very truly yours,

Director.

BUREAU FILES DIVISION
MAILED
FEB 7 1929
P. M.
DEPT. OF JUSTICE

8

ADDRESS REPLY TO
"UNITED STATES ATTORNEY"
AND REFER TO
INITIALS AND NUMBER

W.H.K.Jr.

61906

Department of Justice

United States Attorney's Office

New York

R.S.S.

January 30, 1929.

62-19388

Honorable J. Edgar Hoover,
Director, Bureau of Investigation,
Department of Justice,
Washington, D. C.

Dear Mr. Hoover:

I have read over the copy of Special Agent Bliss Morton's letter which was enclosed with your letter to me of January 29th. I am particularly anxious that the third matter discussed in Mr. Morton's letter be developed either by him or any other agent you may select as soon as Mr. Brann is able to furnish the necessary information, upon which to predicate the investigation.

BUR. OF INVESTIGATION
FEB 1 1929
DIVISION NO. 3

Very truly yours,

W. Houston Kenyon Jr.
W. HOUSTON KENYON, Jr.
Special Assistant to
the Attorney General.

FEB 9 1929
RECORDED

62-19388-61
BUREAU OF INVESTIGATION
FEB 1 1929 A.M.

Letter to
N.Y.
2-6-29

Div. One
Div. Three

Department of Justice

Bureau of Investigation

Post Office Box #70
Wall Street Station
New York, New York

McK-F

February 12, 1929

62-19388

Director,
Bureau of Investigation,
Department of Justice,
Washington, D.C.

Dear Sir:

Reference is had to your letter of the 7th inst. concerning investigation made at the request of Special Assistant to the Attorney General Kenyon by Special Agent Bliss Morton of the Indianapolis office, of certain matters in the SALT CREEK OIL CONTRACT case.

In accordance with your request I took up the matter of further investigation with Agent Brann of this office, who informs me, after conference with Mr. Kenyon, that he desires no further investigation by Agent Morton at this time.

Very truly yours,

C.D. McKean
Special Agent in Charge

FEB 13 1929

RECORDED

FEB 14 1929

62-19388-62

13 1929

JEH:EC:MP
62-19388-63

MAR 25 1929

RECORDED

March 23, 1929.

MEMORANDUM FOR COLONEL DONOVAN
Assistant to the Attorney General

For your information in connection with the case of SALT CREEK OIL COMPANY, Antitrust Matter, I am transmitting herewith a copy of the report of Special Agent J. A. Brann, dated March 20, 1929, at New York City.

Very truly yours,

Director.

Incl. #116088.

BUREAU FILES DIVISION
MAILED
MAR 23 1929
P.M.
DEPT. OF JUSTICE

THIS CASE ORIGINATED AT NEW YORK CITY

REPORT MADE AT:	DATE WHEN MADE:	PERIOD FOR WHICH MADE:	REPORT MADE BY:
NEW YORK CITY	3-20-29	4/13/28-2/16/29	J. A. BRANN

TITLE: LO
SALT CREEK OIL COMPANY
(Tea Pot Dome Investigation)

CHARACTER OF CASE:
ANTI-TRUST MATTER

SYNOPSIS OF FACTS:

NEW YORK FILE #60-113

62-19388

SUMMARY REPORT

Special Assistant to the Attorney General W. Houston Kenyon, Jr., of the New York Anti-Trust Division, who was working in conjunction with Colonel William J. Donovan, The Assistant to The Attorney General, on the question of the legality of the leases of the Salt Creek and Teapot Dome oil fields by the Department of the Interior to the Sinclair Oil Interest, desired to ascertain what publicity, if any, and of what nature, was given by the oil trade journals of the United States to the sale at private sale of all the United States Government's royalty oil accruing to it from its leases in the Salt Creek Oil Area in the State of Wyoming, said sale having been made to the Sinclair Crude Oil Purchasing Company, represented by Harry F. Sinclair, by Secretary Albert Fall of the United States Department of the Interior.

Mr. Kenyon also stated that he was primarily interested in knowing if these publications seemed to indicate that Secretary Fall had concealed from the public and from other oil operators, competitors of the Sinclair Interests, the making of this contract with the Sinclair Crude Oil Purchasing Company.

Having interviewed the above, the writer examined at the Free Public Library in the State of New York all oil trade journals there on file, being assisted for a very short time by Special Agent A. C. Jenkins, then of the New York Office of the Bureau.

DETAILS:

This work was done by the writer at varying intervals from April, 1928 to February , 1929, when not occupied on other Anti-Trust investigations, or in conjunction with other Anti-Trust investigations whenever a few hours spare time arose in which to do it.

A very careful and exhaustive search of all the issues of the following periodicals covering the period from February 1, 1922 to June 1, 1923, this be-

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APPROVED AND FORWARDED: Connelley SPECIAL AGENT IN CHARGE

62-19388-63

BUREAU OF INVESTIGATION
MAR 22 1929 A M
DEPARTMENT OF JUSTICE

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ing the period specifically requested of the writer by Mr. Kenyon, was made:

STANDARD OIL BULLETIN
San Francisco, Calif.

VACUUM OIL NEWS
New York City

CALIFORNIA PETROLEUM & GAS DEPARTMENT MONTHLY
Los Angeles, Calif.

AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS BULLETIN

AMERICAN PETROLEUM INSTITUTE

BLAIR NEWS - FUEL OIL
Gailsburg, Illinois.

NATIONAL PETROLEUM NEWS - OIL AGE
Los Angeles, Calif.

GAS & OIL NEWS JOURNAL

OIL & GAS JOURNAL
Tulsa, Oklahoma.

OIL WEEKLY
Houston, Texas

PETROLEUM AGE
Chicago, Ill.

SKELLY NEWS
Oklahoma City, Okla.

DRUGS, OILS AND PAINTS
Philadelphia, Pa.

THE LAMP MONTHLY

MAGNOLIA OIL NEWS
Dallas, Texas.

OIL AGE
Los Angeles, Calif.

OIL NEWS OF LONDON

PAINT, OIL & CHEMICAL REVIEW
Chicago, Ill.

SOAP
New York City

OILS (TEXAS COMPANY PUBLICATION)
New York City

OIL, PAINT & DRUG REPORTER
New York City

OIL TRADE JOURNAL
New York City

Appended hereto will be found extracts from same, a short reference being noted also to the Teapot Dome Concession, inasmuch as same referred to the new policy inaugurated by Secretary Fall and forecasting the same policy subsequently put into operation by same as regards Salt Creek Dome also.

As already set forth in prior reports by the writer, many of the articles appearing in the aforementioned journals were refuted or made useless by subsequent articles, and, therefore, a very large mass of written extracts taken by the writer from these publications duringthe course of his examination was eliminated and, therefore, will not be made a part of this summary report.

Appended hereto follows the condensed and final notes made by the writer.

A final conference was had by the writer with Special Assistant to The Attorney General Kenyon at New York City at the close of the writer's examination in February, after Special Agent Bliss Morton of the Indianapolis Office had concluded certain investigations made by him in Western Territory. Mr. Kenyon stated at the time that no further work was necessary by the writer.

CLOSED

Oil and Gas Journal of Tulsa, Oklahoma

(Weekly), Petroleum Publishing Co.

Dec. 8, 1922
Page 96

Washington, D.C., Dec. 22nd.

"Sinclair Standard Interests Outbid All Others For Salt Creek Oil.

"Secretary Fall announced acceptance of the five-year bid of the Sinclair Crude Oil Purchasing Company for the purchase of all royalty oil accruing to the Government from the Salt Creek field in Wyoming. They will give the Government 70 to 90¢ more per barrel than it had been getting. The contract establishes the precedent of buying crude oil on a quality basis instead of in bulk regardless of quality. Before the contracts (Salt Creek and Cat Creek) were awarded , the bids were discussed with Congressional delegation from the States interested (Wyoming and Montana).

"A new pipe line is to be constructed and will be a common carrier and provide an outlet for independents.

"Similar methods were pursued with the Mammoth Oil Company in April 1922.

Jan.11, 1923
Page 10

Editorial in same paper regretting resignation of Secretary Fall.

"Red tape and precedent have had no part in Secretary Fall's administration * * *."

"He decided that it was to the benefit of the country to throw open the naval reserves of Wyoming and California and after a survey of the situation adopted a policy which he considered to the Government's interests * * *.

"It has been refreshing to have a business man of this type who did not consult with petty politicians but viewed things from an economic standpoint."

Oil News.

Published by J. T. Smith, Editor "Petroleum World"
32 Great St. Helens St., London, E.C.3.

This journal carried nothing regarding Salt Creek.

Oil Age.

Oil Age Publishing Company, 603 Title Insurance Bldg.
Los Angeles, Cal.

Jan. 3,1923 Says "Secretary Fall has announced the successful completion of his program to place Salt Creek, Wyoming crude oil on a price parity with similar oil from the Mid-Continent field by awarding to the Sinclair Crude Oil Purchasing Company a five-year contract covering the purchase of all royalty oil accruing to the Government from the Salt Creek field.

"This amounts to joining Salt Creek and Mid-Continent fields and put them on an even basis for competition, as the engineers of the Interior Department say the oil will be put in a pipe line in Wyoming and delivered in Chicago with the Mid-Continent field oil. It also establishes the procedure of buying crude oil on a quality basis.

"The Sinclair Crude Oil Purchasing Company is owned 50-50 by the Sinclair Consolidated Oil Corporation and the Standard Oil Company of Indiana.

"Secretary Fall has also arranged to sell Cat Creek, Montana royalty oil at $2.20 a barrel, being $1.00 more than the Government received in the past. The latter contract has been given by him to the Lewistown Oil and Refining Company of Lewistown, Montana.

The Oil Weekly.

Published by The Gulf Publishing Company, Goggan Bldg., Houston, Texas.

Dec.30,1922
Page 22.

Caspar, Wyoming, Dec. 26th.

"The Ohio Oil Company advanced the price of Grass

Creek, Elk Basin, Lance Creek and Mule Creek Crudes 30¢ a barrel and boosted Big Muddy, Salt Creek and Rock Creek oil 35¢ a barrel.

"The selling of the Government royalty oils in Wyoming and Montana to the Sinclair at Mid-Continent posted prices is thought to have brought about the increase in price.

Dec. 30,1922 Rocky Mountain Crudes are Given A Boost.
Page 19.

"Open competition between Mid-Continent and Wyoming-Montana oils nearer realization. The above is due to Government action on Salt Creek royalty oil sold to the Sinclair Crude Oil Purchasing Corporation.

Dec.30,1922 Washington, D.C.

"The Interior Department awarded a five-year contract to the Sinclair Crude Oil Purchasing Corporation covering the purchase of all royalty oil accruing to the Government from the Salt Creek Oil field.

(This issue also gives the names of the thirteen other bidders. J.A.B.)

(Read all the issues of the Oil Weekly down to and including Feb. 10, 1923 but nothing further of interest was found therein. J.A.B.)

Oil Trade Journal.

350 Madison Ave., New York City.
Editors, Alex McCurdy and Patrick McEvoy.

Aug. 1922
Page 76

This issue refers to report made by the Federal Trade Commission of about that date showing that the Standard Oil interests own the following companies: operating in the Mid-Continent and Wyoming-Montana fields:

Ohio Oil Company - Carter Oil Company
Midwest Refining Company- Kasominy Oil Company

Illinois Pipe Lines - Utah - United - Continental Oil Companies
and in 1921 50% interest
acquired in
Sinclair Pipe Line Company
Sinclair Crude Oil Products Company

"Sinclair now proposes to purchase and store Wyoming Crude and ship through his own lines and Prairie Pipe Line Company, another Standard concern.

"The Standard Oil now monopolizes the entire country which has divided into eleven gasoline marketing districts.

Nov. 1922
Page 13

Article written by Robert G. Dill of Denver, Col. in this issue as follows:

"Did Fall Put A Lemon in Sinclair's Tea?"

Dill speaks of the barrenness of the first Wall Creek Sand and the darkening outlook for Mammoth oil and later says:

"Sinclair according to one of the keep-my-name-out-of-it dispensers of gossip, is to be the favored bidder for the Government royalty oil when it is offered on November 15th by the same Department through which he obtained the 9,000 acres of what was a month ago regarded as a sure shot gusher field.

"According to the dope peddlers intimates of Secretary Fall have stated that Sinclair has already put in a bid to pay 50¢ above the highest posted price in the Salt Creek field for this royalty oil which now amounts to 8,200 barrels per day *** and to pay at no time less than $1.20 a barrel."

Page 14

Article by P.H. McGowan, of Washington, D.C.

"Attacks Secretary Fall for secret leasing of Teapot Dome to Sinclair's Mammoth Oil Company, a Standard subsidiary."

Page 15

Robert G. Dill, Denver, Col., in article headed "Action Planned to Annul Teapot Contract," says:

"Patrick Sullivan of Republican National Committee

for Wyoming, is to start a suit in the Federal Court to annul Secretary Fall's contract with Mammoth Oil Company and Sinclair and that the Mutual Oil Company will most probably start a similar suit."

Further speaks of contract as "Fall's gift to the Sinclair interests," and speaks of bids now awaiting Fall's return from New Mexico to be opened.

Jan. 1923, Page 54.

Robert G. Dill, Denver, Col., in article "Royalty Oil Contracts Awarded," says:-

"Meantime Secretary Fall after over a month's delay has awarded the contract for the royalty oil accruing to the Government from the Salt Creek field also to Sinclair -- which action will be a good talking point for Jesse (meaning Jesse Livermore).

"There were thirteen bids for this oil, all based upon an official advertisement and all sodifferent in terms that the Secretary felt compalled to submit them to the Bureau of Mines for analysis, and then talk things over with each of the bidders.

"Under this award, this royalty oil will be taken by the Sinclair Crude Oil Purchasing Company at Mid-Continent prices. Based on present production the Government receives 9,000 barrels royalty oil daily."

Oil and Gas Journal.

A weekly paper published at 114-116 West Second Street, Tulsa, Oklahoma, by the Petroleum Publishing Company.

March 3,1922

"Bradley Claim Denied.

"The claim of J.B.Bradley to the famous Section 36-40-79 in the Central part of the Salt Creek field was thrown out by the General Land Office Commissioner at Denver, Colorado this week.

"When Wyoming became a State, the United States Government gave the State every section numbered 16-36

within the State to be used for school purposes only.

"The old records show rather uncomplimentary comments by many politicians and other citizens because of this course on the part of the United States Government at that time, as the lands were generally considered worthless and not liable to be ever used for anything except grazing stock at that period.

"J.B.Bradley claims that oil placer claims were established on Section 36-40-79 before the making of a State out of the Territory of Wyoming, and therefore that he and his associates are the rightful owners of this Section.

"When the Salt Creek field was opened about 1914 it was at once evident that this school section would lie practically in the center of the field and there was keen competition for the land.

"It is now included in the holdings of the Salt Creek Producers Association through that firm taking over the Mountain Producers in the merger of companies that formed the Salt Creek Producers.

"The production is all purchased direct by the Midwest Refining Company and each year the State auctions the royalty oil to the highest bidder.

"This is considered the richest square mile of oil property in the world, for its situation is such that it will be producing oil when the outer edges of the Salt Creek Field are making water, and this time is thought to be far in the future.

"The royalty alone from this section is now bringing into the State school treasury about $90,000 a month. * * *

"It is considered (in Casper, Wyoming) that the Commissioners' decision on the J. B. Bradley claim has definitely decided that controversy for all time, but the claimants may still carry it up to higher tribunals."

Mar.10,1922 Casper, Wyoming, Feb. 28th.

"The independents, headed by E.T.Williams Oil Company project building a new pipe line from Salt Creek to Jasper.

"A conference was held on Monday of this week no record or report of what went on was made public. It was ascertained, however, that two refinery men from Kansas City, F.E.Scott and J. N. Barry, who were in this region to make purchases of crude oil and officials of the E.T.Williams Oil Company had filed papers for the incorporation of a firm called the Wyoming Pipe Line Company, with the Secretary of State of Wyoming. This company is capitalized at $1,000,000 and the incorporators are E.T.Williams, Eugene Sullivan, I.A.Robertson. The Board of Directors is composed of the same individuals with the addition of F.E.Scott and J.N.Barry.

"Officials of the Wyoming Refining Company which is now being organized to build an independent refinery at Casper, Wyoming, stated that it was affiliated with the new pipe line company and expected to obtain crude oil from it.

"A meeting was held to arrange for contracts for crude for the new line from independent owners of leases in the Salt Creek field, but no statement was given out as to the success of the meeting in accomplishing this end.

"The Consolidated Royalty Company was reported to have contracted some of its production to the promotors of the new line, but inquiry at the Consolidated Royalty offices resulted in a flat denial. Governor Brooks of the Consolidated is in California and C.B.Richardson in New Mexico.

"The New York Oil Company, another local firm, was also named as interested in the new pipe line but this was denied by local representatives of that company."

March 10, 1922.

Casper, Wyoming, March 6th.

"Max Ball, formerly of the Dutch-Shell interests, will lay a pipe line from Salt Creek to Casper to be finished by July of this year * * *. It will be an 8" screw-pipe line.

"Two other pipe lines are proposed by other interests who are confident that their projects will be built by summer. This would make a total of seven lines

operating between Salt Creek and Casper for oil.

Mar.10,1922
Page 36

Casper, Wyoming, March ~~xxx~~.

"Max W. Ball, well-known geologist, who has been connected with the Dutch-Shell interests for several years and who was with the United States Geological Survey in this region before that, has stated that his firm, the Western Pipe Line Company, will lay an 8" pipe from Salt Creek to Casper and have same carrying crude by next July."

(Remarks about his integrity and ability and finances in hand sufficient to build same without any local capital follow in this article, together with a statement that this line would be a common carrier and neither buy nor sell crude.J.A.B.)

"The pipe lines now in use belong to the Midwest Oil Company which is not a common carrier. If all the projected lines start out there will be a race to see who gets the largest amount out of the ground in the shortest possible time.

"In the Texas fields, oil operators familiar with Texas and Wyoming, say that the oil must be taken out as soon as possible in Texas to keep ahead of the encroaching water line encountered in that region, but in this part of the country there is a radical difference.

"The water line does not threaten the Wyoming fields in the same manner as it does in Texas, and the crude oil can be kept in the sand here in the event that there is not sufficient demand for it, in practically the same manner as storing other commodities against the time of need.

"However, in this region, were one oil producer or firm to produce a lease to its capacity and the adjoining leaseholder pursued a course tending to keep the latter's crude in the sand, the first operator would soon be pulling upon the stock of the second, and therefore it is apparent that were any operator to endeavor to withdraw his maximum production it would become incumbent for each and every other operator in the field to also try his best to get his oil above the ground in the shortest possible time."

Mar.24, 1922 "Washington, D.C., March 18th.

"Field tests made by F. B. Tough and R.C.Patterson of the Bureau of Mines indicate that the Salt Creek field in Wyoming is capable of producing 90,000 to 100,000 barrels daily, while the present pipe-line capacity is 50,000 barrels a day. Methods are being studied for pro-rating the oil produced in this field."

National Petroleum News.

Published weekly at 812 Huron Road, Cleveland, Ohio.

May 3,1922
Page 27

"Special correspondent, Washington, D.C., May 1st.

"The Navy's plans for taking the oil out of the naval reserves in California and Wyoming are to be put into execution no matter how much the former Secretary of the Navy Daniels, Senator Kendrick of Wyoming, Senator LaFollette of Wisconsin and the rabid conservationists may talk. The incident is closed so far as the Interior and Navy Departments are concerned. The oil is to be taken from the ground and put into steel tanks where it will be instantly available in case of need, whether that need be military, as in 1919, or financial, as it was all the time Secretary Daniels was contending the oil industry was charging him too much for fuel oil and other petroleum products.

"The contract with the Pan-American Company for the exchange of crude for fuel oil on the Pacific Coast was signed April 26 by Acting Secretary Finney and announced the next day. The same day Secretary Denby gave out a copy of the Sinclair contract signed April 7th for the development of the Wyoming reserve, the construction of a pipe line and tanks in which to store the fuel oil the Navy will take for the crude produced therefrom.

"Promulgation of the contract caused one little start. The proposed pipe line may be built to a connection with either the Sinclair or the Prairie. Connection with the Prairie was never hinted in all the talk that preceded the promulgation of the contract."

Page 67.

"Wyoming Producers Hold Different Views on Government-Sinclair Deal.

"By special correspondent, Casper, Wyoming, Apr. 28th.

"The sentiment among oil men here appears to be somewhat divided concerning the wisdom of the Government in making a contract with the Sinclair interests for the development of Naval Reserve #3 on the Teapot Dome located south of the Salt Creek oil field.

"Many of the more important interests with connections in the east seem to be in favor of the Government's

plan, believing that a transcontinental pipe-line would afford ample market for all crude their companies are able to produce, with constant bettering of the prices. On the other hand, many citizens of the State, including a number of the oil men, are solid against the proposition."

May 10,1922
Page 29.

"National Producers' Association Protests Teapot Dome Contract.

"Staff special, Tulsa, Oklahoma, May 5th:

"Protesting against the policy of opening naval reserves for exploitation at this time, and particularly against the method of entering into contracts, a communication to the United States Senate was adopted at the meeting of the directors and advisory committee of the National Association of Oil Producers.

"A committee to investigate the leasing of the Teapot Dome and California naval reserves and to report to the Association the effect on the industry was appointed by President Gray. The members appointed on the committee are:

Mark D. Mitchell	Independence, Kans.
W.H.Sproul	Sedan, Kans.
J.D.Parnell	Wichita Falls, Tex.
James G.Lyons	Okmulgee, Okla.
J.J.Moroney	" "

May 17,1922
Page 60

"Teapot Dome Development to be No Factor in Market This Year.

"Cleveland, May 12, Lawrence E. Smith, Staff Representative:

"The administration has kept close silence on who 'these prominent operators' were.

"More than a year ago, however, the Texas Pacific Coal & Oil Co. was invited to consider the matter of developing No.3, and did confer with the Department of the Interior on the question * * *. It was likely that the Texas Pacific was consulted because its operating head, formerly with the Midwest interests, is very familiar with operating conditions in Wyoming.

"Men who have made close examination of the contract cannot see that the Government has made anything but a good deal; some say that it is a great deal stronger than most companies would have gone.

"The Standard Oil Company of Indiana, through the Midwest, is in as complete control of the Salt Creek field as any company was ever in control of a field. Its stock ownership in companies which hold acreage there is so extensive that it has the call on perhaps 90% of the actual and probable output of the field.

Dec.13, 1922 Page 74.

"Fall Discusses Royalty Oil Deal With Several Western Statesmen.

"Secretary Fall denied that he pointed out that the States had an interest in the matter from two points of view. The first was the money going directly into their treasury and the second was the amount of money the Reclamation Service might spend in the States by reason of the receipt of money from the sale of the royalty oil.

"The United States, no matter which way the matter was decided, could not have more than a 10% interest, he said. It might take its share in oil and turn it over to the Shipping Board and that would, he contended, be a matter of bookkeeping.

"Secretary Fall discussed the terms of each bid with the Senators and Representatives with a view to having them point out which in their opinion would be the most advantageous to all concerned.

"After Fall had finished with the Senators and Representatives he called in the bidders one at a time to interview each one as to how firm he was in his decision that he could not afford to offer more for the oil. The determination to sell the royalties for cash is a new departure.

"What Secretary Fall hopes to make out of it may be inferred from the following given out by his Department publicity man: 'During the last past five years the average posted field price for crude oil in the Oklahoma-Kansas field has been 67¢ a barrel higher than for oil of similar gravity in Salt Creek. In the Salt Creek field the Government now receives 8,200 barrels royalty oil daily, or at an annual rate of 2,993,000 barrels. If it should be possible to obtain for the Salt Creek royalty oil a price which is equal to that effective in the Mid-Continent field, an additional revenue of $2,005,310 would be received for division among the Reclamation Service, the State of Wyoming and the Federal Government.(Above publication examined from May 1922 to May 1923 inclusive - agent Jenkins.)

NATIONAL PETROLEUM NEWS

Dec. 20-22, p. 19

Despatch Washington, D. C. says Secretary Fall expected to announce the royalty crude award on Salt Creek public lands by December 16th, but had to drop his consideration of the bids before coming to a conclusion and decided would not take up subject again until December 19th.

It is certain award will be at least $1.00 a barrel more than Shipping Board paid. Wyoming gets the lion's share of the price paid for the oil.

Dec. 27/22. p. 17

Cleveland, December 23.--On December 21, Secretary Fall of the Department of the Interior announced that his department had awarded a five-year contract on the federal royalty oil produced in the Salt Creek, Wyoming, field to the Sinclair Crude Oil Purchasing Co. at mid-continent prices.

The following day MidWest Refining Co. (Standard Oil Company subsidiary) advanced the price of Salt Creek crude 35¢ a barrel to $1.05. Other grades were advanced by the Midwest and the Ohio by 30 and 35¢ a barrel, the Ohio meeting the advances effective Dec. 23d.

Sinclair C. O. P. Co. begin taking this oil, amounting now to about 9,000 bbls. daily under the present pro-rating system on January 1.

This oil varies between 36 and 37 deg. Be. (i. e., Baume) which will call for a price of $1.40 to $1.60 a bbl.

As there is now no outlet for it other than tank car shipments, it is believed it will be stored until a trunk line Eastward is put in.

It is worthy of note that the Sinclair C. O. P. Co. which is owned 50% by Standard Oil Company of Indiana had competition for the royalty oil from Standard Co.'s bids submitted by Standard of N. J. and the Ohio Oil Co.

Other bidders were The Texas Company, Producers and Refiners Corporation, Midwest Refining Company, Empire Gulf and Fuel Company, Mutual Oil Company, White Eagle Oil & Refining Company, Sundance Petroleum Company, Middle States Oil Corporation, Southern States Oil Corporation, Constancia Petroleum Company and Midwest Oil Company and associated companies.

Thus the Standard of Indiana took two shots at it other than through the partnership company which was successful. These bids were through its Mid-West Refining Company, Midwest Oil Company (controlled by the Salt Creek Producer Association) which in turn is owned 35% by Midwest Refining Company.

Award of this contract to the Sinclair Company leaves the Salt Creek situation very much as it was before.

Standard of Indiana owns 50% of the Sinclair-Purchasing Company and 99% of Midwest (through whose pipe lines it was formerly moved to Casper for the Shipping Board which traded it off to Midwest for fuel oil from California.)

Therefore, the 9,000 bbls. accruing during next few months instead of going into tankage of Midwest, a 99% Standard Company will go into tanks of Sinc. C. O. Pet. Co. and 50% Standard Company.

Awarding of this contract staves off entry of another pipe line in which Standard of Indiana would have no voice and which would have meant solicitation of connections to leases of Independent and now Midwest Company, so earnestly sought to avoid, i. e., an increase in the pro-rated runs from the field.

Sinclair willingness to pay this high price for Salt Creek oil was probably due to

1. that high gravity crude will be difficult to obtain

2. that this interest believes crude will go higher.

Fall also announced in his prepared statement for the press that his department was informed that another pipe line will be laid to Salt Creek shortly. Producers & Refining had announced their intention to build one in spring; it may be to them he is referring.

Secretary Fall made a good deal for the Government in getting this price.

The income from same will be split three ways:

Reclamation Service	52½%
Wyoming	37½%
Federal Treasury	10%

Jan. 21. 1922. Salt Creek Field is located 40 miles north of Casper * * is the largest field in the Rocky Mountain region, producing area being estimated at 150 square miles. Was discovered in 1882 by P. M. Shannon, who drilled a number of wells 4 miles north of the present development.

Salt Creek proper discovered in 1908 by bringing in of a well by the Holland interests.

Field has about 300 producing wells, practically all flowing with potential daily production of 100,000 barrels.

In 1921 oil was discovered in the Lakota sand in Sec. 25-40-78 by the Midwest Refining Co.

Pipe lines August 1, 1921 were taking only 25,000 barrels; December 20, 1921, taking 55,000 barrels.

The oil has a paraffin base and is very valuable for refinery purposes.

Salt Creek produced 10,222,845 barrels in 1920 and to date, January, 1922, 45,000,000 barrels.

The potential production of the field before it becomes exhausted is estimated at 450,000,000 barrels.

Jan. 7, 1922. Casper, Wyoming, December 31, 1921. Max B. Ball, President of Western Pipe Line Co. and of the Petroleum Co. spent several days in Casper sounding out the independent producers at Salt Creek in reference to contracts for their oil to be run through the independent pipe line which his company proposes to build from that field to Casper in the coming year.

Also reported that some arrangement has been considered be-

tween the newly incorporated Wyoming Refining Co. and the Western to furnish the refining company with its crude requirements, thus obviating the necessity for a line of its own.

President Ball will operate the new pipe line as a common carrier and without favoritism. It is fully financed but he refuses to say by whom, but having been in charge of operations for Matador Petroleum Co., a branch of the Royal-Dutch-Shell, it has been pointed out that probably this European rival of the Standard may be behind him.

It is expected work of construction will begin in February.

THE OIL WEEKLY

April 22- 1922. p. 8

Denver, Colo., April 15.--Rocky Mountain operators, and especially Wyoming producers, are much concerned over the announcement from Washington that the government has concluded a contract with Sinclair interests for development of the Teapot Dome Naval reserve in Wyoming and the laying of a pipe line from the field to the Mid-Continent where it will be joined with trunk lines to the north and east. The Teapot Dome is known as naval reserve No. 3 and is estimated to be capable of producing a minimum of 30,000,000 barrels of crude. According to Washington advices, exploitation work will be accomplished through the organization of the Mammoth Oil Company, a corporation privately managed and financed by H. F. Sinclair and associates.

It is understood here that the associates of Sinclair in the enterprise with the government include interests close to the Standard Oil Company of Indiana and the Prairie Oil & Gas Company.

Coincident with the news of the Government Sinclair deal has come the announcement that the United States Interior Department has decided on a new policy for handling naval oil reserves to provide for storage above ground and do away with safe-guarding oil pools until such a time as there was a need for fuel when development work could be started and the crude brought to the surface. It is understood that the adoption of the new policy is the outcome of efforts to settle differences arising out of the oil land leasing act, which set aside certain oil lands for naval purposes.

As reported from Washington, the contract with Sinclair provides for immediate development work to be accomplished without expense either to the government or to the Sinclair Consolidated Oil Corporation, the work to be done by the Mammoth Oil Company, a concern which has been organized and financed by H. F. Sinclair and private associates. The Mammoth Oil Company will not have any stock or bonds for sale. Crude oil when brought to the surface will be taken to the Sinclair Crude Oil Purchasing Company and as soon as the daily production reaches 20,000 barrels a transporting system will be constructed from Wyoming to a point near

Kansas City where connections will be made with the Sinclair main trunk line system and also with the lines of the Prairie Oil & Gas Company. The line from Wyoming will be some 1,000 miles in length and will have an estimated initial capacity of around 40,000 barrels.

Mr. Sinclair makes a statement as follows:

"The signing of a contract for the development of Teapot Dome for the United States government is the most important event in the history of the Sinclair Consolidated Oil corporation, and in my opinion no more far-reaching step has ever been taken in the oil industry. Mr. Fall, Secretary of the Interior, will probably discuss what it means in government policy. There is a tremendous gap between an isolated and undeveloped naval reserve in Wyoming and the fuel oil bases from which the navy loads its supply. This gap is to be bridged without involving the government in oil operations or in anything smacking of paternalism. Obviously it could not be undertaken except by a company engaged on a large scale in every branch of the oil business. The testing of Teapot Dome will be rapid, and comprehensive, and the Wyoming fields will be connected with the markets of the world. Secretary Fall's efforts to protect the government reserves will undoubtedly result in saving for public use very large quantities of petroleum which might otherwise be drained by wells on nearby properties. His plan in effect is to have these reserves recovered from the ground and moved to places where they can be kept indefinitely and used when needed."

p. 9

It is not known just when work will commence on the Government-Sinclair enterprise here but it is believed that there will be a delay in starting actual development, even if the contract is made to "stick", as the protest which operators here have made undoubtedly will have some bearing on the course of action the interior and navy departments will pursue. It is expected that producers elsewhere will join with the Rocky Mountain operators in their fight for leasing of government naval reserves on a competitive basis and not through strictly private agreements, privately negotiated.

Washington, D. C., April 18.--Secretary of the interior, Albert B. Fall of New Mexico, departed from his

office here April 13 for an extended tour through Western States. While away Mr. Fall will investigate reclamation projects and Indian matters in New Mexico and Arizona and also will give his attention to the carrying out of the newly adopted policy for dealing with naval oil reserves in California and Wyoming, especially as regards the letting of contracts for drilling the areas.

Steps have already been taken to safeguard the interests of the State of Wyoming as to the development of naval reserve No. 3 in Natrona County, an extension of the Salt Creek field, known as Teapot Dome. Senator Kendrick from that State already has introduced an amendment to the existing laws which would require a royalty of not less than 5 per cent. on oil and gas produced on the naval reserve to accrue to Wyoming.

Telegraphic protests from oil operators in Wyoming have reached Washington opposing the letting of contracts by the interior and navy departments for private development of the Teapot Dome without competitive bidding. Protests have been forwarded to Secretary Fall, to the Wyoming congressional delegation and to Robert D. Carey, governor of Wyoming.

THE OIL WEEKLY.

April 29, 1922. p. 24

Tulsa, Okla., April 24.--Information reaching here from the Eastern offices of Sinclair Consolidated Oil Corporation is that the crude oil storage facilities of the company at their refinery on the Houston ship channel in South Texas is to be increased to care for anticipated needs of the government brought about by the consummation of the contract for the development of Teapot Dome in Wyoming.

It is also understood here that the lubricating oil output of the Sinclair refinery at Houston is to be substantially increased within the next few weeks.

There is a belief here that the contract to furnish the Navy with refined and fuel oil at tidewater will mean that a large portion of the products from Salt Creek crude will be turned out at the Houston plant of Sinclair which was designed when erected so as to permit additional units calculated to double, or even treble, the plant's output when the demand required it.

Such an arrangement might be necessary in view of the fact that the Government's contract with Sinclair calls for the delivery of gasoline, kerosene, lubricating and cylinder oils as well as fuel.

The present capacity of the Sinclair refinery on the Houston ship channel is 4,000 barrels.

OIL AND GAS JOURNAL

(Published every Friday at Tulsa, Okla. by the Petroleum Publishing Co., 114 West 2nd Street).

May 4, 1922
p. 10

Frank B. Taylor, the Oil and Gas Journals Wyoming correspondent, writes under date of April 30:

The Teapot deal still continues as the center of interest among the oil operators here, but is beginning to quiet down and it looks now as though it will be generally accepted though the same opinion holds it will create havoc along political lines in the comming elections. Sinclair is given credit for putting the deal over in such a quiet way that none as much as expect what was going on.------------Secy. Fall, however, is being held up as the object for the oil men's wrath and his action in disposing of the Teapost reserve is condemned as a barter of the State and Nation's wealth for a mess of pottage.

May 11, 1922
p. 52

Secretary Fall Pleased with Teapot Dome Deal
(By Chas. E. Kern) Washington, May 8, 1922

From Three Rivers, N.M. Secretary Fall of the Department of the Interior has telegraphed some of his firneds here his satisfaction over the Government contract with the Mammouth Oil Co. for the development of Naval Oil reserve #3 of Wyoming, known as the Teapot Dome.

Your kind invitation, he says, to present my side of the case in view of criticisms of the Interior Department concerning actions in the Wyoming Oil fields are very much appreciated. The necessity for the protection of Government Naval Oil was becoming more appare t and the necessity to protect all individual operators, including Government lessees, and for the obtaining of better prices for oil has been apparent and urged by Wyoming State officials for many months. I have no doubt the public generally will most thoroughly approve the actions of the Interior and Navy Dept. in handling naval oil fields in a businesslike way as has been done.

Oct. 5, 1922
p. 106

More About The Teapot Dome Lease by Chas. E. Kern.
Washington, D.C. Oct. 2.

It may have been unwise for the Secretary of the Interior to make a contract for the removal of the oil without resorting to advertisements for bids to do this work************it is known he did consult several large oil interests*************Harry F. Sinclair was the only one to take a chance on the terms stipulated**********A great deal said about the lack of bonus payments*************Sinclair did pay bonus by agreeing to settle all outstanding claims on the Teapot Dome.

(Outside of the matter quoted the article, a long one, contains only the personal opinion s of the writer)

Oct. 26, 1922
p. 80

The above writer says:

Referring to the reviews of the fuel questions prepared by Dr. B. O. Johnson and Dr. George White Secretary Fall said:

**********Many have been content to rest in the comfortable belief that we will always have an ample supply of petroleum from some source. Others have taken an alarmist position. As often happens the truth probably lies between. I am inclined to believe that, while there is no immediate shortage of petroleum in prospect, it will be but a few years until a much more earnest and vigorous search for oil will be necessary. Whatever doubt attaches to estimates of reserves so far made, comparison of such estimates after a period of years within which new and unexpected fields have been opened, show that the new fields have hardly swelled the totals appreciably************Any estimate of the reserves in the ground must be uncertain. It is oil which has been produced and put into tanks which constitutes the reserve of the world. ******Within the last year therefore, a second great step has been taken in that arrangements have been perfected to produce and to put into actual storage such quantities of the oil as will given the Navy the security Congress intended. This became all the more necessary since investigation showed clearly that the oil under the navy lands was being drawn out through wells on adjacent private lands and leases. As a part of the general progress of creating a real reserve of fuel oil for the navy there are now being erected at Pearl Harbor a number of steel tanks later to be filled with such fuel oil, the work involes over $6,000,000. I am glad to say that it has been possible to finance this without adding to the post war burdens of thepublic treasury.

(The above was read at a meeting of Commercial Congress held under the auspices of the Pan Pacific Union, held at Honolulu.)

PETROLEUM AGE

(Published semi-monthly, 1st and 15th at Chicago and New York)

May 1, 1922
p. 62

Edward J. Lippard says:

Oil men in Wyoming and the country in general are greatly aroused over the proposed leasing of the oil lands in naval reserve #3. Some people hold that the dome should not be drilled at the present time for the reason that there is now more oil in Salt Creek than can be taken care of. The oil is not needed as the industry is facing a period of over production. If the land is to be thrown open at this time people of the State believe that it should be open to competitive bidding.

May 15, 1922
p. 18

Independent Producing Organization against Naval Reserve League - To probe contracts.

Tulsa, Okla. - Following a discussion of the Government's policy in leasing Teapot Dome and California naval reserves for oil development by directors and advisory committee of the National Association of Independent Oil Producers, the organization's President, W. H. Gray, was directed to proteest to the Senate against the Government policy, President Gray appointed Mark D. Mitchell, Independence, Kas., W. H. Sproul, Sedan, Kas., J. D. Parnell, Wichita Falls, Tex., Jas. G. Lyons, Okmulgee, Okla., and J. J. Moroney, Okmulgee, Okla. to work with the Senate.

June 1, 1922
p. 13

By Staff Correspondent.

Tulsa, Okla. - Powerful independent producing organization laying plans to give battle to Teapot Dome deal, they are massing facts and charges, propose to carry fight to Washington.

They are going to charge that the four companies said by Government officials to have been let in on the bidding were not real competitors in the bidding, they want to know which companies these were, they will show overproduction in Salt Creek.

Dec. 1, 1922
p. 98

Geologist Finds Shut Off Between Salt Creek and Teapot Dome. Claude F. Palmer, geologist who has been making a survey of the area between Teapot Dome and the Salt Creek Field to determine if, as has been claimed, Salt Creek was draining the Teapot, has reported that he finds the two entirely separate oil formations. He reports a well defined "saddle" between the two but reports the formation considerably different than previous geological reports indicated.

AMERICAN PETROLEUM INSTITUTE
INCLUDING BULLETINS

(Published at 15 West 44th Street, New York City)

Dec. 7-
1922

At the third annual meeting of the American Petroleum Institute held Dec. 6,7,8, F. E. Kistler, President of the Producers and Refiners Corp. said:

While there has been a great deal of talk about the wisdom of granting to one company the contract for the development of this field I believe it was wise and will undoubtedly prove beneficial to all producers in Wyoming particularly when the ten inch pipe line contemplated thereunder is completed.

OIL, PAINT AND DRUG REPORTER

(Published weekly at 100 William Street, New York City)

Sept. 11-22 p. 45

PETROLEUM PARTNERSHIP URGED FOR GOVERNMENT, SECRETARY FALL WOULD HAVE U.S. FORM COMBINATION WITH EXISTING CONCERNS.

Washington, D.C. Sept. 7, 1922.

Formation of a huge American oil combination with the U.S. Government and the large American petroleum companies as partners is earnestly advocated by Secretary Fall.

It is understood from reliable sources that Secretary Fall has on several occasions suggested this to the President and the Cabinet.

VHH:DCS
62-19388-64

RECORDED

February 4, 1930.

FEB 6 1930

Mr. Gus T. Jones,
P. O. Box 906,
San Antonio, Texas.

Dear Sir:

The Bureau is in receipt of a memorandum from Assistant to the Attorney General O'Brian, dated February 1, 1930, requesting the assignment of an Accountant to examine the records of the Sinclair Crude Oil Purchasing Company, at Tulsa, Oklahoma, for the purpose of determining what, if any, profit was received by that company on oil taken out of the Salt Creek field on a contract with the Federal Interior Department.

Principal Accountant Latimer has received detailed instructions at this office and will take the matter up promptly upon his return to your district late this week. He also expects to have another Accountant assist him.

Very truly yours,

Director.

BUREAU FILES DIVISION
MAILED
FEB 4 1930
P. M.
DEPT. OF JUSTICE

MA

VHH:DSS
62-19308-64

February 4, 1930.

RECORDED

FEB 8 1930

MEMORANDUM FOR ASSISTANT TO THE ATTORNEY GENERAL O'BRIAN.

Receipt is acknowledged of your memorandum of the first instant, requesting an investigation by an Accountant in the matter of UNITED STATES vs SINCLAIR CRUDE OIL PURCHASING COMPANY.

Subsequent to the receipt of your memorandum a conference was held between Mr. Hardy, of your Division, and Mr. Hughes and Accountant R. A. Latimer, of this Bureau, and it was arranged that Accountant Latimer would take this matter up at Tulsa, Oklahoma, not later than Monday morning, the 10th. instant.

Accountant Latimer has also been advised to notify this office by telegraph after not more than two days' survey as to the condition of the records at Tulsa and as to the time which may be required to compile the information which you desire.

I am returning herewith the extra copy of the bill of complaint and answer which accompanied your memorandum of February 1st.

Very truly yours,

Director.

Inc. 531674.

FEB 4 1930
P.M.

Department of Justice

Office of the Assistant to the Attorney General

Washington

February 1, 1930

MEMORANDUM FOR MR. HOOVER, DIRECTOR,
BUREAU OF INVESTIGATION.

62-19388

Re: U. S. v. Sinclair Crude Oil Purchasing Company

The defendants in U. S. v. Sinclair Crude Oil Purchasing Company, pending in the District Court at Wilmington, are willing to have representatives of the Department examine their records to determine what, if any, profit was received by them on oil taken out of the Salt Creek field on the contract dealt with in that case. Will you please assign an accountant to make this examination. The records are in the custody of the Sinclair Crude Oil Purchasing Company at Tulsa, Oklahoma.

Attached is a copy of the petition in the case and also a copy of the answer. Both of these documents contain a complete description of the matter and will enable the accountant to identify the oil to be dealt with on the books of the company.

Yours very truly,

JOHN LORD O'BRIAN,
The Assistant to the Attorney General.

2 encl

RECORDED & INDEXED
FEB 6 1930

Reply to San Antonio 2/4/30

62-19388-64
BUREAU OF INVESTIGATION
FEB 1 1930 P. M.
DEPARTMENT OF JUSTICE

In Equity No. 704

In the District Court of the United States for the District of Delaware

UNITED STATES OF AMERICA, PLAINTIFF

v.

SINCLAIR CRUDE OIL PURCHASING COMPANY AND MAMMOTH OIL COMPANY, DEFENDANTS

BILL OF COMPLAINT

LEONARD E. WALES,
United States Attorney, D.

JOHN G. SARGENT,
Attorney General.

WILLIAM J. DONOVAN,
The Assistant to the Attorney General.

HORACE R. LAMB,
W. HOUSTON KENYON, Jr.,
RALSTONE R. IRVINE,
Special Assistants to the Attorney General, Of counsel.

Filed December 29, 1928

U. S. GOVERNMENT PRINTING OFFICE: [illegible]

62-19388-64

IN THE

District Court of the United States

FOR THE DISTRICT OF DELAWARE.

IN EQUITY No. 704.

UNITED STATES OF AMERICA,
Plaintiff,

vs.

SINCLAIR CRUDE OIL PURCHASING COMPANY and MAMMOTH OIL COMPANY,
Defendants.

ANSWER OF DEFENDANT, SINCLAIR CRUDE OIL PURCHASING COMPANY.

62-19388-64

best available image

W [illegible] #15

VKH:MBH

R A W LATIMER
HOTEL TULSA
TULSA OKLAHOMA

February 18, 1930.

RETEL DESIRE YOU AND WINSLOW PROCEED TO OBTAIN BEST POSSIBLE PICTURE OF ENTIRE MATTER IN NEXT SIX WORKING DAYS ANALYSIS SHOULD SHOW PRICE PAID AND PRICE RECEIVED BY CRUDE OIL PURCHASING COMPANY STOP GOVERNMENT CAN ASSUME ALL OIL SOLD AS GOVERNMENT OIL OR OIL ON HAND AS GOVERNMENT OIL IF POSSIBLE SET UP BOTH WAYS OTHERWISE SET UP OIL SOLD AS GOVERNMENT OIL ALSO COMPARE PRICES RECEIVED BY CRUDE OIL COMPANY FROM OTHER PURCHASERS WITH THAT RECEIVED SINCLAIR AND STANDARD GIVING NAMES OTHER PRINCIPAL PURCHASERS ENDEAVOR OBTAIN COPIES CONTRACTS BETWEEN CRUDE OIL SINCLAIR AND STANDARD IF POSSIBLE SHOW APPROXIMATE OVERHEAD AND HANDLING EXPENSE STOP UNSOLD OIL TO BE CONSIDERED AT CURRENT MARKET PRICE STOP REPORT SHOULD BE FORWARDED NOT LATER [illegible] INSTANT

JOHN EDGAR HOOVER
Director

62-1938-5

RECORDED & INDEXED

62-19388-65
BUREAU OF INVESTIGATION
FEB 19 1930

VHH:GHK

62-19388-66

February 12, 1930.

RECORDED

MEMORANDUM FOR ASSISTANT TO THE ATTORNEY GENERAL O'BRIAN

For your information in connection with your memorandum of February 1, 1930, requesting certain investigation in the matter of UNITED STATES v. SINCLAIR CRUDE OIL PURCHASING COMPANY, there is enclosed herewith, copy of a telegram received from Accountant R. A. W. Latimer, who has spent two days on the books of the Crude Oil Purchasing Company, together with a copy of a telegram which I have prepared in reply to Accountant Latimer's wire under even date.

This will confirm the agreement reached at a conference between Mr. Hardy and Mr. Hughes.

Very truly yours,

Director.

Encl. 138618.

62-19388

FEB 12 1930

46

Postal Telegraph

(THE MACKAY SYSTEM)

ALL AMERICA CABLES — TELEGRAMS CABLEGRAMS RADIOGRAMS — COMMERCIAL CABLES

STANDARD TIME INDICATED ON THIS MESSAGE

This is a full rate Telegram or Cablegram unless otherwise indicated by signal in the check or at the address.

BLUE	DAY LETTER
NL	NIGHT LETTER
NITE	NIGHT MESSAGE
LCO	DEFERRED CABLE
NLT	NIGHT CABLE LETTER
WLT	WEEK END CABLE LETTER

NC592 191 COLLECT NL GOVT 1/70 13

1930 FEB 11 PM 9 13

HT TULSA OKLA 11

144

DIRECTOR BUREAU OF INVESTIGATION

FEB 12

043

DEPT OF JUSTICE WASHINGTON DC

REFERENCE SINCLAIR CRUDE OIL PURCHASING MATTER CONFERENCES CURSRY SURVEY AND TEST CHECK OF BOOKS INDICATE COMPANY BOUGHT APPROXIMATELY TWENTY EIGHT MILLION BARRELS WYOMING OIL TWENTY ONE MILLION BEING GOVERNMENT ROYALTY STOP SIXTEEN MILLION SOLD REMAINDER STILL IN STORAGE STOP DEFINITE FIGURES IMPOSSIBLE AS THIS OIL MIXED TOGETHER BUT FIGURED PROPORTIONATELY NINE MILLION BARRELS GOVERNMENT OIL STILL UNSOLD STOP IF SOLD AT CURRENT MARKET PRICE COMPANY WOULD SUFFER APPROXIMATE LOSS

RECORDED

62-19388-66

BUREAU OF INVESTIGATION

FEB 13 1930

FEB 13 1930

Copy

Reply ... 2/12

Postal Telegraph

(THE MACKAY SYSTEM)

RECEIVED AT

STANDARD TIME INDICATED ON THIS MESSAGE

ALL AMERICA CABLES — TELEGRAMS CABLEGRAMS RADIOGRAMS — COMMERCIAL CABLES

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NL	NIGHT LETTER
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LCO	DEFERRED CABLE
NLT	NIGHT CABLE LETTER
WLT	WEEK END CABLE LETTER

NC592/2/80 HT TULSA OKLA DEPT OF JUSTICE WASHINGTON DC 1930 FEB 17 AM 9

OF FORTY CENTS PER BARREL STOP ALL WYOMING OIL THAT
WAS SOLD WAS BILLED TO EITHER SINCLAIR REFINING OR STANDARD INDIANA
AT COST PLUS TEN CENTS MARKETING CHARGE THIS CHARGE ABOUT COVERED
EVAPORATION DEPRECIATION PRORATED ADMINISTRATIVE EXPENSE BOND
INTEREST ETCETERA STOP IF ANY PROFIT MADE ON GOVERNMENT OIL SOLD MY
OPINION MADE BY SINCLAIR REFINING AND OR STANDARD INDIANA STOP
ESTIMATE TWO MONTHS TO MAKE DETAILED CHECK OF OIL SOLD STOP IF
DETAILED CHECK DESIRED INSTRUCT WHETHER TO DISREGARD UNSOLD

Postal Telegraph

(THE MACKAY SYSTEM)

ALL AMERICA CABLES — TELEGRAMS · CABLEGRAMS · RADIOGRAMS — COMMERCIAL CABLES

STANDARD TIME INDICATED ON THIS MESSAGE

This is a full rate Telegram or Cablegram unless otherwise indicated by signal at the check or in the address.

BLUE	DAY LETTER
NL	NIGHT LETTER
NITE	NIGHT MESSAGE
LCO	DEFERRED CABLE
NLT	NIGHT CABLE LETTER
WLT	WEEK END CABLE LETTER

11 PM 9 13

NC592/3/41 HT TULSA OKLA DEPT OF JUSTICE WASHINGTON DC

OIL ENTIRELY OR CONSIDER POTENTIAL LOSS BASED ON

CURRENT PRICES THIS OIL STILL CARRIED ON COMPANY BOOKS AT COST STOP

LOSS WONT BE TAKEN UNTIL SOLD STOP ADDRESS HERE HOTEL TULSA WIRE

INSTRUCTIONS IMMEDIATELY AS AM HOLDING WINKLER PENDING YOUR DECISION

R A WW LATIMER..

DIVISION SEVEN

FEB 12 1930 AM

VHH:DSS
64-19360-67

February 26, 1930.

RECORDED

FEB 26 1930

MEMORANDUM FOR ASSISTANT TO THE ATTORNEY GENERAL
O'BRIAN.

There is enclosed herewith a copy of a letter addressed to this office by Principal Accountant R. A. W. Latimer, at San Antonio, Texas, under date of February 20, 1930, which letter accompanied his summary report of the investigation of the SINCLAIR CRUDE OIL PURCHASING COMPANY at Tulsa, Oklahoma, two copies of which report were delivered informally to Mr. Hardy, of your office, on the 24th, instant.

In the absence of further instructions this office will consider the case closed.

Very truly yours,

Director.

Encl. 531813.

BUREAU FILES DIVISION
MAILED
FEB 26 1930
A.M.
DEPT OF JUSTICE

Department of Justice

Bureau of Investigation

February 20, 1930.

62-625

P. O. Box 906,
San Antonio, Texas.

19388

62-

FEB 24 1930

Director,
Bureau of Investigation,
Department of Justice,
Washington, D. C.

O

SINCLAIR CRUDE OIL PURCHASING COMPANY.
In Equity.

Dear Sir:-

There are enclosed herewith the original and three copies of the writer's summary report on his investigation into the books and records of the Sinclair Crude Oil Purchasing Company, Tulsa, Oklahoma, in an effort to show if said company made any profit through the purchase and sale of Government royalty oil taken from the Salt Creek field in Wyoming.

You are requested to forward to Special Assistant to the Attorney General Hardy the extra copy of this report.

The work papers on this investigation will be retained in this office, unless you direct some other disposition of same.

Very truly yours,

For the Special Agent in Charge:

R. A. W. Latimer

R. A. W. LATIMER
Principal Accountant.

RAWL-f.

Mr O'Brien

RECORDED
FEB 26 1930

62-19388-67
BUREAU OF INVESTIGATION
FEB 24 1930 A. M.
DEPA...

REPORT

ON INVESTIGATION OF

SINCLAIR CRUDE OIL PURCHASING COMPANY

TULSA OKLAHOMA.

In Equity

U. S. Department of Justice

Bureau of Investigation

San Antonio, Texas,
February 20, 1930.

R. A. W. Latimer
Principal Accountant

3 - Bureau
2 - San Antonio.
1 - Special Assistant Hardy.

APPROVED
Feb 20-1930
Principal ACCOUNTANT

RECORDED
INDEXED
62-19388-67
FEB 26 1930
BUREAU OF INVESTIGATION
FEB 24 1930 A. M.

JUL 12 1972
F75

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San Antonio, Texas,

February 20, 1930.

Director,
Bureau of Investigation,
Department of Justice,
Washington, D. C.

Dear Sir:-

Pursuant to your instructions, an investigation of the books and records of the SINCLAIR CRUDE OIL PURCHASING COMPANY, TULSA, OKLAHOMA, has been conducted in an effort to determine if subject company made a profit through the purchase, from the United States, of the Government royalty oil run from the Salt Creek field in Wyoming. The following report is herewith submitted.

This investigation was commenced February 10, 1930, and completed February 15, 1930. Special Accountant P. J. Winkler assisted on this investigation from February 12, 1930, to its completion.

PREDICATION

This investigation is predicated upon your letter of the 4th instant, which refers to a memorandum from Assistant to the Attorney General O'Brian, dated February 1, 1930, asking for an accounting of the books of subject company to determine what, if any, profit was received from the oil taken from the Salt Creek field under a contract with the Interior Department. Prior to the receipt of your letter, however, your accountant had conferred with Mr. V. W. Hughes and Special Assistant to the Attorney General Hardy, regarding this matter, and had received detailed instructions from Mr. Hardy as to the information desired and the approximate time in which to secure same. At this conference, your accountant was supplied with a photostatic copy of a schedule - understood to

have been prepared from the records of the Interior Department - showing, by months, the number of barrels, with the value thereof, of Salt Creek oil sold to subject company from January 1, 1923, to October 21, 1928, the period during which the contract with the Interior Department was in force and effect.

At Tulsa, your accountant conferred with the following officials of subject company: General Counsel Chandler, President Phillips and Treasurer Carlson. Access to the books and records pertaining to the purchases and sales of oil in the Wyoming fields was accorded. In this connection, you are advised that, for accounting purposes, the Wyoming transactions were segregated on the books of subject company and labeled, "Northwest Division". A survey of the books and records was made in an effort to determine the approximate time it would take to secure the detail necessary to arrive at the information desired. Certain "test checks" of the books were also made. On February 11, 1930, you were advised of the results of this survey by the following wire:

> "Reference Sinclair crude oil purchasing matter conferences cursory survey and test check of books indicate company bought approximately twenty eight million barrels Wyoming oil twenty one million being government royalty stop sixteen million sold remainder still in storage stop definite figures impossible as this oil mixed together but figured proportionately nine million barrels government oil still unsold stop if sold at current market price company would suffer approximate loss of forty cents per barrel stop all Wyoming oil that was sold was billed to either Sinclair Refining or Standard Indiana at cost plus ten cents marketing charge This charge about covered evaporation depreciation prorated administrative expense bond interest et cetera stop if any profit made on government oil sold my opinion made by Sinclair Refining and or Standard Indiana stop estimate two months to make detailed check of oil sold stop if detailed check desired instruct whether to disregard unsold oil entirely or consider potential loss based on current prices this oil still carried on company books at cost stop loss wont be taken until sold stop address here Hotel Tulsa wire instructions immediately as am holding Winkler pending your decision."

Your answer, dated February 12, 1930, to the above quoted telegram, is set out below, as it contained additional instructions:

> "Retel desire you and Winkler proceed to obtain best possible picture of entire matter in next six working days analysis should show price paid and price received by crude oil purchasing company stop Government can assume all oil sold as government oil or oil on hand as government oil if possible set up both ways otherwise set up oil sold as government oil also compare prices received by crude oil company from other purchasers with that received Sinclair and Standard giving names other principal purchasers endeavor obtain copies contracts between crude oil Sinclair and Standard if possible show approximate overhead and handling expense stop unsold oil to be considered at current market price stop report should be forwarded not later twentieth instant."

The accounting data, hereinafter set out in schedule and exhibit form, supplies the information requested.

HISTORY.

The Sinclair Crude Oil Purchasing Company was formed in 1922 by the Standard Oil Company of Indiana and the Sinclair Refining Company, each of which owns fifty per cent of the capital stock of subject company, for the purpose of collecting and creating an oil reserve for the two owning companies. At this time the best geologists obtainable estimated that the oil reserves of the country were sufficient to supply the demand for the next five years only, after which it would become necessary for this country to import its oil. At this time the officials of subject company figured that oil, bought at the then current market price of about $2.00 per barrel, would sell for not less than $5.00 per barrel when the depletion of the nation's oil reserves became a fact. In accordance with this plan, subject company entered into a contract to take the Government royalty oil from the Salt Creek field, agreeing to pay the "mid-continent" price, which, at the time of the contract, was approximately 25¢ per barrel more than the price paid by other companies

for this Wyoming oil. In order to handle and store this oil, subject company built, on what is known as the Clayton Tank Farm, near the Salt Creek and Teapot Dome fields, one hundred and fifty oil tanks, at an approximate cost of six million dollars. At the time the Government contract went into effect, January 1, 1923, the Mid-West Refining Company, a subsidiary of the Standard Oil Company of Indiana, was taking all of the oil from the Salt Creek field and running it by pipe line to its refineries at Casper, Wyoming. The Mammoth Oil Company, a subsidiary of the Sinclair Refining Company, was taking the oil from Teapot Dome. Besides taking the Government royalty oil, subject company also bought oil from both the Mid-West Refining Company and the Mammoth Oil Company, all three being mixed together in the pipe lines from Salt Creek and Teapot Dome to the Clayton Tank Farm, and also in the tanks on the tank farm.

About the middle of 1924, the Sinclair Pipe Line Company, jointly owned by Standard of Indiana and Sinclair Refining, completed its pipe line from the Wyoming oil fields to Freeman, Mo., a distance of about 800 miles; at Freeman, Mo., this pipe line was connected with the main pipe line running from the mid-continent (Texas and Oklahoma) fields to the Standard and Sinclair refineries at Kansas City and Chicago. In September, 1924, subject company began selling the oil from the fields in Wyoming, running it to Freeman, Mo., where it mixed with the oil coming from Texas and Oklahoma. All of the Wyoming oil was sold to either the Standard or Sinclair refineries located at Kansas City or Chicago, it being divided equally, as far as possible, between the two owning companies.

The information set out above was obtained from the officials of subject company during conferences and interviews, and no efford was made by your accountant to confirm or disprove same.

PURCHASES - EXHIBIT "A"

Attached hereto, and labeled "Exhibit 'A'", is a schedule showing, by years, for the period 1923 to 1928, inclusive, the oil purchased by subject company from the Wyoming oil fields. This schedule also shows from whom the oil was purchased, the cost of it (which was the quoted price on the date it was bought), the gathering charges paid, and the total amount paid to the selling company, which was the total of the cost price plus the gathering charge. This gathering charge was, in 1923, a charge of 15¢ per barrel made by the companies for collecting the oil from the different wells and running it through the pipe lines to the Clayton Tank Farm for subject company. This gathering charge does not enter into your accountant's calculations, for, as will be explained later, this charge, together with any other similar charge, was added to the sales price of the oil when it was sold. In 1924, subject company obtained a reduction of this gathering charge to 8¢ per barrel.

At the bottom of this schedule is a recapitulation showing the oil, and value thereof, purchased from the individual parties and concerns. Your attention is invited to the figures opposite the name "Mid-West Oil Co.", which show that this concern sold to subject company 3,570,140.07 barrels of oil during the period from January 1, 1923, to October 21, 1928, and that it paid for gathering charges $2,716,156.08, which would be an average price of nearly 80¢ per barrel for gathering; this is accounted for by the fact that the Mid-West Oil Company was gathering the Government royalty oil for subject company and was being paid at the regular rate per barrel.

Your attention is also invited to a small difference in the number of barrels of oil and the cost price thereof, shown by this schedule to have been purchased from the Government, as compared with the figures supplied by Mr. Hardy, which are assumed to have been taken from

the records of the Interior Department. This difference is set out below:

	Govt. Oil Barrels	Value
Your accountant's figures	21,087,846.89	$35,748,675.29
Figures from Mr. Hardy	21,078,958.02	35,734,802.88
DIFFERENCE	8,888.87	$ 13,872.41

This difference occurs in the month of December, 1927, and it appears to be an overpayment to the Government by subject company. The officials of subject company know of this difference, but appeared to agree with your accountant that it was probably due to an error in preparing the figures supplied by Mr. Hardy. With this one exception, the figures taken from the records of subject company agree with the figures supplied by Mr. Hardy.

The figures shown by your accountant in "Exhibit 'A'" were taken from the original vouchers of subject company, which were supported by invoices from the selling companies; any adjustments shown were taken at face value, no effort being made to verify same. The red figures shown in "Exhibit 'A'" represent adjustments which rectify errors made in the number of barrels billed by the selling companies, said errors being caused by leakage and evaporation.

SALES - EXHIBIT "B"

Attached hereto, and labeled "Exhibit 'B'", is a schedule showing the Wyoming oil sold by subject company from January 1, 1923, to December 31, 1928. It shows the number of barrels sold with the value as shown on the bill to the buying company; this value, so your accountant was informed, was based on the quoted price for oil on the date it was sold by subject company. No effort was made to check said quotations.

The column headed, "GATHERING CHARGE", shows the amount subject company paid to the companies from whom they bought the oil, for delivering said oil to the Clayton Tank Farm; as has been previously explained, this gathering charge was at first 15¢ per barrel, but was later reduced to 8¢ per barrel; this charge was passed on to the buying company and had no bearing on the net income derived by subject company from the sale of this oil.

The column headed, "TRANSPORTATION CHARGES", shows the charge made by the Sinclair Pipe Line Company for transporting the oil sold from the Clayton Tank Farm in Wyoming to the refineries at Kansas City and Chicago. The Sinclair Pipe Line Company had a set charge of 61¢ per barrel for oil transported to Kansas City and 81¢ per barrel for oil taken to Chicago; instead of billing the refineries direct, the pipe line company billed subject company who passed the charge on to the buying company; it, therefore, had no bearing on the net income of subject company. This is understood to be the customary manner in which these charges are handled in the oil business, and the rate is said to be in accord with the rates charged by other pipe line companies for similar distances.

The column headed, "MARKETING CHARGES", is the charge of 10¢ per barrel made by subject company for the handling of the oil, and is supposed to offset the cost of handling, evaporation, leakage, etc.; it therefore has to be considered in arriving at the net income from this oil. It is understood that this is a customary charge, and that a similar charge of 10¢ per barrel for each barrel handled is made by other oil purchasing companies.

With one exception, all of the oil taken by subject company from the Wyoming fields was sold to either the Standard of Indiana or the Sinclair Refining Company. This is shown by the following recapitulation:

Name	Barrels	Value	Total Billing
Standard	7,518,659.44	$13,107,428.44	$19,562,997.96
Sinclair Ref.	7,521,549.33	13,112,850.65	19,584,599.93
Mid-West Ref.	26,387.62	36,410.19	38,369.53

This sale to the Mid-West Refining Company was caused by the cancellation of the Government contract in October, 1928. At the time of cancellation, the Mid-West Company had gathered for subject company certain oil which it had not yet delivered to the Clayton Tank Farm, it still being in the pipe line from the oil fields to the tanks; the Government had billed subject company for this oil and had been paid for same, so subject company turned it back to the gathering company, and it reflects on the records as a sale.

The figures shown by your accountant in "Exhibit 'B'" were taken from the original vouchers of subject company, which were supported by copies of invoices sent the buying companies. A "test check" was made to determine that the transportation charges, with which the buying companies were billed, were actually paid by subject company; any adjustments made were taken at face value, no effort being made to verify same, because of the time limit set on the investigation.

The work papers of your accountant show the deliveries of this oil to the different refineries at Kansas City and Chicago. If this information is desired, it can be worked up in schedule form and supplied, upon request.

DIRECT EXPENSE - EXHIBIT "C"

Attached hereto, and labeled "Exhibit 'C'", is a schedule, showing the expenses for the period from 1923 to 1928, inclusive, that are directly chargeable to any profit made on the purchase and sale of the oil taken by subject company from the Wyoming fields. The figures shown

on this schedule were taken from the yearly statements of subject company, which were prepared by the accounting department of subject company and which were not verified by your accountant from the books and vouchers. A recapitulation of this exhibit is set out below:

DIRECT EXPENSES:		Total for Period
Operating		$ 98,158.52
Maintenance		31,693.67
General Operating:		
Insurance	$ 2,654.78	
Taxes	315,120.81	
Royalty Oil Bond Premium	30,001.98	347,777.57
Depreciation (Tanks, etc.)		2,534,690.89
	TOTAL....	$ 3,012,320.65

Your attention is directed to the depreciation charged; until 1927 this charge was made on the basis of 10% per annum; in 1928 it was reduced to 5% per annum. This charge covered the depreciation on the tanks, pumping stations, pipeage, etc.; in fact all of the physical assets that subject company had in the Wyoming fields. The depreciation charge for 1928 was further reduced because of the loss of seventeen tanks on the Teapot Dome which are said to have been confiscated by the Government. At the end of 1928, the books of subject company showed slightly less than five and one-half million dollars as the value of its physical assets in the Wyoming field.

INDIRECT EXPENSES - EXHIBIT "D"

Attached hereto, and labeled "Exhibit 'D'", is a schedule showing the indirect expenses of subject company for the period from 1923 to 1928, inclusive, for ALL of its operations. These figures were taken from the yearly statements of subject company and were not verified by your

accountant from the books and vouchers. The statements of subject company showed a portion of this expense charged to the Wyoming operations; when asked for the basis of this apportionment, your accountant was informed that some times it had been based on the ratio of Wyoming oil purchased to other oil purchased, and, at other times, on the inventory on hand. This was not satisfactory to your accountant, who has made the apportionment on the purchase basis as follows:

Total barrels purchased during period	213,292,037.85
Less: Inventory on December 31, 1923,	28,356,347.66
	184,935,690.19
	Divided into
Wyoming oil purchased during period	28,227,263.92
	Equals 15.26%

A recapitulation of Exhibit "D" follows, showing the apportionment of this expense to the Wyoming operations as made by your accountant:

	Total	15.26% of Total apportioned Wyoming Oil.
Office salaries	$ 667,852.21	$ 101,914.06
Rent	97,078.82	14,814.22
Telegraph	7,477.14	1,141.00
Telephone	28,287.83	4,316.71
Stationery & Office Supplies	20,310.38	3,099.62
Postage	10,023.15	1,529.53
Traveling	56,412.11	8,608.48
Legal	154,918.49	23,640.56
Advertising, Abstracts, etc.	790.06	120.55
Donations	8,698.87	1,327.45
Engineering	18,984.31	2,897.00
Corporation License Tax	141,044.44	21,523.37
Capital Stock Tax	92,842.49	14,167.76
Capital Investment Fee	26,501.37	4,044.11
Miscellaneous	37,338.99	5,697.93
Depreciation-Furn. & Fixtures	8,744.37	1,334.39
Interest, Discount & Note Expense	18,932,361.88	2,889,078.42
Total	$ 20,309,666.89	$ 3,099,255.16

Your attention is directed to the last item in the above recapitulation; this amount is composed chiefly of the interest paid and the sinking fund charges on a fifty million dollar bond issue put out by subject company.

MISCELLANEOUS INCOME CHARGES

The miscellaneous debits to income were also taken from the yearly statements of subject company and were not verified by your accountant from the books and vouchers. These statements segregated these charges and apportioned some of them to the Wyoming oil operations. As, with one exception, the amounts were small, your accountant took the apportionment as prepared by subject company. A recapitulation of these charges follows:

1923	$ 351.09
1925	944.98
1927	336,512.17
Total...	$337,808.24

The large charge shown in 1927 is the charging off of the property lost by subject company through the confiscation by the Government of the oil tanks, etc., that were on the Teapot Dome.

MISCELLANEOUS INCOME CREDITS

The miscellaneous additions to income were also taken from the yearly statements of subject company and were not verified from the books and vouchers. Your accountant used the purchase basis, previously explained, or 15.26% of the total, in apportioning to the Wyoming oil its share of these credits, as follows:

	Total	15.26% of Total
1923	$ 1,392.15	$ 212.44
1924	21,952.90	3,350.01
1925	17,654.95	2,694.15
1926	5,275.91	805.10
1927	218,544.27	33,349.86
1928	291,463.18	44,477.28
Total	$556,283.36	$84,888.84

PROFIT & LOSS STATEMENTS

In the following statements your accountant has attempted to show the manners by which the loss, both actual and potential that subject company has suffered through its operations in the Wyoming field, can be computed.

Profit & Loss Statement as of December 31, 1928, on all Wyoming oil, ignoring potential loss in the inventory.

In reviewing the following statement, consideration should be given to the fact that subject company faces a large loss when it sells the oil shown in the inventory, due to the fact that this oil inventory is carried by subject company at the cost price, which is far in excess of the quoted market price as of December 31, 1928.

It should be noted that your accountant adds 250,659.60 barrels as "Depletion due to Evaporation, etc." to the total barrels in inventory. This is due to the fact that the total barrels purchased, less the total barrels sold, did not agree with the inventory by 250,659.60 barrels and your accountant was informed that evaporation losses amount to about one per cent. This evaporation will continue until this oil is sold. While this figure, set up by your accountant, affects the number of barrels, it does not affect the book value of the inventory, which is used in this statement.

Statement of Income, Profit and Loss for the Period Ended December 31, 1928 on Wyoming Oil

	Barrels	Barrels	Values		Values
Sales as shown on Exhibit B (At quoted prices at time of sale)				15066 596 39	16252 692 38
Cost of Sales					
Purchases as shown on Exhibit A (At quoted prices at time of purchase)		21227 263 92	47,761 665 55		
Less Inventory of December 31, 1928					
Inventory shown as per books	12918 007 93				
Add, Depletion due to Evaporation, etc.	250 659 60	13160 667 53	24,752 037 55		
Total Cost of Sales				15044 598 03	16660 573 26
Gross Profit on Oil Sold					[illegible] 159 01
Add Marketing Charge (10¢ per bbl. sold)					1504 026 36
Gross Marketing Profit on Oil Sold					4735 159 38
Deductions from Gross Marketing Profit					
Direct Expenses as shown on Exhibit C			31,132 320 65		
Indirect Expenses as shown on Exhibit D			30 991 255 16		
Miscellaneous Charges			337 808 24		
Total Deductions from Gross Marketing Profit				6449 384 05	
Less Miscellaneous Credits				[illegible] 855 84	
Net Deductions from Gross Marketing Profit					6364 496 21
Net Loss on Sales					[illegible]

Your attention is directed to the fact that a net loss of $1,634,355.33 was suffered by subject company on ALL Wyoming oil sold. In order to arrive at the loss suffered on the Government royalty oil, your accountant has arrived at the percentage of 74.7 by dividing the total barrels of Government royalty oil purchased, i.e., 21,087,846.89, by the total barrels of ALL Wyoming oil purchased, i.e., 28,227,263.92. The loss suffered on Government royalty oil is therefore 74.7% of $1,634,355.33, or $1,220,863.43 as of December 31, 1928.

Profit & Loss Statement as of December 31, 1928, on all Wyoming oil, considering the potential loss in the inventory as of February 15, 1930.

The following Profit & Loss Statement reflects the total loss which would be incurred if the inventory of oil on hand was valued at the current market price as of February 15, 1930. The value of the inventory, i.e., $15,492,009.52, at this date, is far below the actual cost of the oil to subject company. The current market price on this date being quoted at $1.20 per barrel or 49¢ per barrel less than the actual cost of the oil to subject company. Added to the forty-nine cents loss per barrel would be the loss incurred through the continued depletion of this oil by evaporation, leakage, basic sediment, water, etc., and which, if figured on this date, would add materially to the loss per barrel.

The gross loss shown on this statement as $6,013,908.95, when compared to the gross profit of $3,226,119.08, shown on the preceding statement, reflects a net change of gross profit of $9,240,028.03, which is caused by the difference in the book value of the inventory as shown by subject company on December 31, 1928, i.e., $24,732,037.55, and the value of the same inventory at the market price of February 15, 1930, i.e., $15,492,009.52.

Sinclair Crude Oil Purchasing Company
Statement of Income Profit and Loss [illegible]
December 31, 1928 on Wyoming Oil

Sales as shown on Exhibit B (At quoted prices at time of sale)			[illegible]	[illegible]
Cost of Sales				
Purchases as shown on Exhibit A (At quoted prices at time of purchase)		[illegible]	[illegible]	
Less Inventory of February 15, 1930 at current prices				
Inventory of barrels [illegible]	[illegible]			
Add: Depletion caused by [illegible]	[illegible]	[illegible]	[illegible]	
Total Cost of Sales			[illegible]	[illegible]
Gross Loss on Oil Sold				[illegible]
Less Marketing Charge (10¢ per barrel)				1,604,020.80
Gross Marketing Loss on Oil Sold				[illegible]
Add Deductions from Gross Marketing Loss				6,364,495.21
Net Loss on Sales				[illegible]

Your attention is called to the net loss of $10,874,386.36 shown on the preceding statement, which not only takes into consideration the actual loss on ALL of the Wyoming oil sold, but also the potential loss that would have been incurred if the oil on hand were sold at the market price quoted on February 15, 1930. By taking 74.7% (previously explained) of the loss shown on this statement, the loss on the Government royalty oil purchased by subject company is shown to be $8,123,164.37.

Profit & Loss Statement as of December 31, 1928, assuming the inventory to be unsold Government royalty oil.

Pursuant to your instructions, previously set out, the following statement has been prepared to show the results that would be obtained if it were assumed that all oil on hand on December 31, 1928, was Government royalty oil. It is therefore necessary to assume that all oil purchased from others in the Wyoming field was sold. Subtracting the total Government oil purchased from the total of all Wyoming oil purchased, leaves 7,139,417.03 barrels purchased from other concerns. Exhibit "B" shows that there were 15,066,596.39 barrels of Wyoming oil sold; deducting, from this figure, the number of barrels purchased from other concerns, leaves 7,927,179.36 barrels of Government oil sold with a value of $13,814,827.22, which value is arrived at by securing an average price per barrel of the Government oil sold.

In view of the fact that the Government royalty oil purchased is practically 75% of all of the oil purchased by subject company in the Wyoming oil fields, this percentage has been used by your accountant in prorating the expenses incurred during the period of operations, and it is so set out on this statement.

Your attention is called to the fact that while this statement shows a net loss on Government royalty oil sold of $1,182,463.99, it

does not take into consideration the potential loss that would exist if the inventory of oil on hand was valued at the market price quoted on February 15, 1930. If this potentiality is given consideration, the net loss on Government royalty oil will be $10,422,492.02.

Sinclair Crude Oil Purchasing Company
Statement of Income, Profit and Loss for the Period Ended December 31, 1928
Assuming all Oil in Present Inventory to be Government Oil

	Barrels	Barrels	Value	Barrels	
Sales					
(At quoted price at time of sale				7,927,179.36	13,814,527.22
Cost of Sales					
Purchases as shown on Schedule 1		21,627,266.85	44,734,667.29		
(At quoted prices at time of purchase					
Less Inventory of December 31, 1928					
Inventory shown as per books – assumption that					
all the Inventory Represents Government Oil	12,916,007.93				
Add: Depletion due to Evaporation, etc.	250,659.60	13,166,667.53	24,732,037.55		
Total Cost of Sales				7,927,179.36	11,041,657.74
Gross Profit on Oil Sold					2,77[illegible]8[illegible].48
Add Marketing Profit on Oil Sold					792,737.94
Gross Marketing Profit on Oil Sold					3,56[illegible],[illegible]07.42
Less Net Deductions from Gross Marketing Profit 75% of total Wyoming Expense					4,773,377.41
Net Loss on Government Sales.					[illegible]

CONCLUSION

As has already been stated, subject company sold, with one exception, all of the oil purchased in the Wyoming fields to the owning companies, the Standard Oil Company of Indiana and the Sinclair Refining Company.

Your accountant was advised by the officials of subject company that, with a few exceptions, the entire purchases of subject company, whether bought in the Wyoming, mid-continent or other oil fields, were sold to either of the owning companies. Only one of the exceptions mentioned was for a sizeable amount, the other being trades or swaps of oil with other companies, which were handled on the books of subject company as purchases and sales. The exception noted is a contract entered into by subject company with the Atlantic Refining Company for the sale and delivery of 7,300,000 barrels of oil. A copy of this contract follows:

(COPY)

AGREEMENT

THIS AGREEMENT made and entered into this 21st day of September, 1923, by and between SINCLAIR CRUDE OIL PURCHASING COMPANY, a Delaware corporation, hereinafter called the SELLER, and THE ATLANTIC REFINING COMPANY, a Pennsylvania corporation, hereinafter called the BUYER,

WITNESSETH: THAT,

For and in consideration of the covenants, conditions and promises hereinafter set forth to be mutually kept and performed, it is mutually agreed by and between the parties hereto as follows:

FIRST: Seller agrees to sell and deliver and buyer agrees to receive and pay for, upon the terms and conditions hereinafter set forth, seven million three hundred thousand (7,300,000) barrels of forty-two (42) U. S. Standard gallons of crude petroleum produced from oil pools located in Oklahoma, (except Healdton) and Northern and Central Texas, provided that the Mexia crude component of seller's delivery to buyer shall never exceed twenty-five per centum (25%) of the aggregate of crude delivered under this contract unless consent of buyer is first obtained.

SECOND: The crude petroleum to be delivered hereunder shall be taken by the buyer from oil storage tanks owned or under the control of the seller at Sinco, Texas, and the removal of said oil from said tanks by the buyer, or by any one employed by it to load its vessels, shall constitute delivery to it by the seller. Deliveries shall commence on the first day of January, 1924, and shall be made at the rate of approximately three hundred thousand (300,000) barrels each calendar month, but seller shall not be required to deliver and buyer shall not be required to take and receive more than one hundred fifty thousand (150,000) barrels in either half of any calendar month; PROVIDED, HOWEVER, that seller shall be required to have available in said tanks and for such delivery, and buyer shall take

therefrom not less than two hundred twenty thousand (220,000) barrels each and every month from said date of commencement of delivery until the total contract quantity shall have been delivered.

THIRD: The selling price to be paid for each barrel of oil so delivered shall be the average price, ascertained as hereinafter set forth, adding thereto the sum of fifty-six and one-half cents (56½) for each barrel; and such "average price", as the term is used in this contract, shall be ascertained from the books and records of the seller in the following manner:

(a) As of the date of each delivery to the buyer hereunder there shall be computed the total number of barrels of oil purchased by seller from its customers on that date in the Districts of Oklahoma and Northern and Central Texas, for transportation to the tanks at Sinco, Texas, from which the delivery to buyer is made as herein set forth, adding thereto the total amount of oil, if any, that may be withdrawn on that date from storage tanks of seller located in Oklahoma and Northern and Central Texas and pumped into the pipe line for transportation to said delivery tanks at Sinco, Texas, and the total so computed shall be the "total number of barrels".

(b) There shall also be computed the cost to seller of said oil so purchased on said date from its customers at the well or stock tanks of the customer, adding thereto the value of the oil, if any, that may be withdrawn from storage tanks of seller on that day and pumped into the pipe line for transportation to the tanks from which delivery is to be made to buyer hereunder at Sinco, Texas, but the total value of said storage oil so run into the lines on said date shall be determined by ascertaining the gravity of said oil and applying thereto the posted market price of seller for oil of that quality and gravity, and the total of these sums so computed, except as hereinafter provided, shall be the "total cost".

(c) It is understood and agreed that seller if purchasing oil under written contract other than Division Orders in the State of Texas from

various parties, and that the seller will pump some of the oil so purchased under said contracts into the pipe line for delivery to the above mentioned tanks at Sinco, Texas. And it is further agreed that the number of barrels of said oil so pumped shall be added in and included as a part of the "total number of barrels" mentioned in Subdivision A of Paragraph Third, but that instead of including the actual cost of said oil in the "total cost", as provided in Subdivision B of Paragraph Third, there shall instead be included and added in as part of the figure making up said "total cost" the market value of said oil for the day for which the price shall be determined. Said market value of such oil shall be the posted market price of seller for oil of the same quantity and quality in the field from which said oil shall be produced provided the seller posts a price in said field and if seller does not post a price in said field, then said market value of said oil shall be the highest posted market price of either the Humble Oil Company, Magnolia Petroleum Company, or the Texas Company, for oil of the same quality and quantity in the field from which said oil was produced during such period.

(d) The average price shall then be determined by dividing the "total cost" as above ascertained by the "total number of barrels" as above ascertained, and the quotient so obtained shall be the "average price" to be used in determining the selling price on that date of the oil delivered to buyer and taken by it from the tanks of seller at Sinco, Texas, as provided in paragraph THIRD of this contract.

(e) If there has been no change in the posted market price of the seller during the first fifteen (15) days of the calendar month within which the date or dates such average price is to be determined may fall, then it shall not be necessary for the seller to compute the total number of barrels of oil purchased by it and run from its storage tanks as provided in subdivisions (a) and (c) of this paragraph, or the total "number of barrels"

or the "total cost" as provided in subdivisions (b) and (c) of this paragraph, for the specific date or dates on which deliveries are made from the delivery tanks at Sinco, Texas, to buyer, but seller may compute such average by ascertaining the total number of barrels purchased by it and run from its said storage tanks in said districts during said fifteen day period, and the total cost thereof in the methods provided in subdivisions (a) and (b) and (c) hereof for a specific date or dates and may compute the average cost per barrel for said whole fifteen day period instead of taking it for the specific date or dates only in which deliveries are made from said delivery tanks at Sinco to buyer, and likewise with reference to the second half of any calendar month in which no price change shall be made, but if during the half of any calendar month in which deliveries are made to buyer from said delivery tanks at Sinco there is any change in the posted market price of seller, then the average price shall be ascertained upon the daily basis with reference to the dates deliveries are so made, as provided in paragraph Third, of which this subdivision is a part.

The fifty-six and one-half cents (56½) additional charge in this paragraph mentioned is based on the present tariff rates of Sinclair Pipe Line Company for transporting oil from Healdton, Oklahoma, Devol, Oklahoma, and Electra, Texas, to Sinco, Texas, and such additional charge shall advance or decline according to any changes that may be made in said tariff rates from and after the date of this contract, for the period any such change is in force, but in the event that said rates are increased more than twenty per cent (20%) of the present rates, buyer shall have the option either to pay said increased rates, or to cancel this contract upon sixty (60) days notice to seller, but in the event any of the oil sold and delivered hereunder is obtained by seller from tariff points north of Healdton, Oklahoma, so that seller will be required to pay Sinclair Pipe Line Company its established tariff rates from such points north of Heald-

ton, Oklahoma, to Sinco, Texas, then the additional amounts so paid by seller for the transportation of said oil from said points north of Healdton, Oklahoma, in excess of the amount which would be paid for transportation from Healdton, Oklahoma, to Sinco, Texas, if the oil were transported from Healdton, Oklahoma, shall be apportioned among all of the customers of seller who purchase and receive oil from seller at points of delivery south of Healdton, Oklahoma, in the proportion that the total amount of oil delivered to each customer at such delivery points south of Healdton, Oklahoma, bears to the total amount of oil delivered by seller to all customers at points south of Healdton, Oklahoma, and the buyer shall pay to seller its proportion of such amount so determined, in addition to the selling price hereinbefore specified in this paragraph.

FOURTH: Deductions shall be made for the actual amount of water and B. S. in the oil delivered hereunder and the actual barrels delivered to buyer from said tanks shall be determined by joint inspection and gauge taken of the tank or tanks from which delivery is made, by a representative of each party hereto, which representatives shall issue and deliver to seller a joint certificate in duplicate, signed by them, setting forth the quantity of oil taken and delivered, the gravity thereof, and the amount of B. S. and water for which deduction is to be made, and such certificates when so signed and delivered, shall be conclusive of the amount of oil taken and delivered hereunder to buyer and shall be the basis of seller's charge against buyer. The tank table to be used in computing the amount of oil taken from said tank or tanks, as shown by the measurements on such certificate, shall be figured at one hundred per cent (100%). Seller shall render invoice with one of the duplicate inspection certificates attached, for the oil delivered to and taken by buyer, by mailing the same to buyer at its Philadelphia, Pennsylvania, office, and payment shall be made by

buyer to seller at its Tulsa, Oklahoma, office for the amount shown on said invoice within ten (10) days from receipt of such invoice.

FIFTH: Should either party hereto be unable to carry out and perform this contract because of rules, regulations or orders promulgated by the Railroad Commission of Texas, or of any commission or governmental agency of the United States, or any state thereof, or the judgment, decree or order of any court which forbids or prevents either party from performing the covenants herein set forth, or any substantial part thereof, or which forbid or prevent Sinclair Pipe Line Company, or its successors or assigns, from transporting oil to the tank or tanks at Sinco, Texas, for delivery hereunder, or which forbid or prevent Sinclair Refining Company from transporting said oil from said tanks to boats of buyer, or if either party is prevented from the performance of this contract as the result of strike, fire, riot, act of God, or the public enemy, then such party so prevented may suspend the performance of this contract until such condition requiring such suspension shall be removed and the time of performance hereunder shall be extended during the time of such suspension, but if any such cause shall require the suspension of the performance of this contract for a period of more than sixty (60) days, then the party not affected by such suspension may cancel this contract upon giving ten (10) days notice in writing to the other without any damage or liability of any kind whatsoever and thereafter, except for payment of the oil therefore delivered hereunder.

SIXTH: It is agreed that this contract is conditioned upon the performance by Sinclair Refining Company of a certain agreement entered into with it by the buyer hereunder as of the date of this contract, pursuant to which, said Sinclair Refining Company is to load the oil purchased by the buyer hereunder on buyers' vessels at Sinco, Texas.

SEVENTH: It is understood by the parties hereto that the United States Government will dredge the Ship Channel to a depth of 30 feet, as far as the dockage facilities of the Sinclair Refining Company at Sinco, Texas, and it is understood and agreed that if there shall not be a depth of 30 feet of water in said channel and at the dock of Sinclair Refining Company at Sinco on January 1, 1924, then the day of commencement of deliveries under this contract may at the option of buyer be postponed from January 1, 1924, to such day as there shall be said 30 feet of water in said channel and at said docks, and deliveries shall thereupon immediately start at the rate stipulated thereon, but if party of the second part shall elect to lift oil before said thirty feet of water is available all lighterage charges, if any, shall be paid by buyer (H.L.P.)*; provided (W.M.I.) that if said 30 feet of water is not available as above by June 1, 1924, and buyer has not already taken any deliveries under this contract, the contract shall be terminated without any damage or liability of any kind whatsoever to either party hereto.

EIGHTH: It is the intention of the parties hereto that if general business conditions bring about a modification, adjustment or suspension of seller's arrangements with a majority of other customers at Sinco, as measured in volume of purchases,-that in that event buyer shall be privileged to discuss with seller similar modifications, adjustments or suspension of this agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused this contract to be executed on its behalf by its duly authorized officers, on the day and year first above written.

SINCLAIR CRUDE OIL PURCHASING COMPANY
By H. L. Phillips, President.

(SEAL)

ATTEST:
K. Porter
Asst. Secretary

* (This part underlined written in with pen)

THE ATLANTIC REFINING COMPANY

(SEAL) By W. M. Irish, Vice-President

ATTEST:

E. M. O'Connor
Secretary.

MEMORANDUM FOR AUDITORS ONLY

Explanation of 56½¢ charges:

Gathering	20¢
Transportation	25¢
Marketing	10¢
Com. to Mr. Allen	1½¢
	56½¢

It should be noted from this contract that it supports the statement of the officials of subject company that it was customary to add, to the cost of the oil sold, the charges for gathering, transportation, marketing and any other additional charges.

This particular contract carried an additional charge of 1½% as commission to a Mr. Allen; when verification for this was asked, your accountant was supplied with a letter from J. F. Allen, a copy of which follows, and which explains this additional charge:

(COPY)

J. F. ALLEN
111 Broadway (Trinity Building)
New York

October 11, 1923.

Mr. Henry Phillips, President,
Sinclair Crude Oil Purchasing Company,
Sinclair Building,
Tulsa, Oklahoma.

Dear Mr. Phillips:-

As you know, in the price charged the Atlantic Refining Company by the Sinclair Crude Oil Purchasing Company and the Sinclair Refining Company, there was included the sum of one and one-half cents (1½¢) per barrel for me covering my services in negotiating the contract.

I will be glad if you will kindly write me referring to the contract and advising in your letter that as this oil is delivered and you receive pay for same you will remit me the sum of one and one-half cents (1½¢) per barrel; this letter to be for my record and files.

Awaiting the pleasure of hearing from you, I am, in the meantime, with best personal wishes,

Sincerely yours,

(signed) J. F. ALLEN

Your accountant asked to see the contracts subject company had with the Standard of Indiana and the Sinclair Refining Company for the sale of oil, but was advised that no contracts existed; that the sales were made upon letters, in which the owning companies stated their requirements only and that the terms were not mentioned therein, it being understood that the terms would be the quoted market price on the date of sale, plus the different charges.

During one of the interviews had with Mr. Chandler, General Counsel of subject company, your accountant asked why subject company, which had apparently already suffered a large loss on the Government royalty oil, should offer to pay 21¾¢ or 23½¢ per barrel more than it had already paid for the oil taken from the Government during the renewal contract period, i.e., January 1, 1923, to October 21, 1923, inclusive. Mr. Chandler answered this query with the following letter:

SINCLAIR CRUDE OIL PURCHASING COMPANY

SINCLAIR BUILDING

TULSA, OKLAHOMA

LEGAL DEPARTMENT

February 11, 1930.

Mr. R. A. W. Latimer,
Government Special Accountant,
Tulsa, Oklahoma.

Dear Sir:

For your information in investigating the records of Sinclair Crude Oil Purchasing Company concerning the offer of October 11, 1929, made on behalf of that Company to Honorable John Lord O'Brien, Assistant to Attorney General of the United States, which offer was signed by Mr. L. L. Stephens, I beg to advise as follows:

1. The reason for making the offer to pay either twenty one and three-quarter (21¾¢) cents per barrel or twenty three and one-half (23½¢) cents per barrel as additional premium on payment for the 1,537,765.35 barrels of crude oil purchased by Sinclair Crude Oil Purchasing Company under the extension of renewal of January 1, 1928, was that we were not clear whether the White Eagle Oil and Refining Company and Texas Company are now paying twenty one and three quarter (21¾¢) cents per barrel above Mid-Continent posted price, or whether they are paying twenty three and one-half (23½¢) cents per barrel above such price, but which ever they are paying was to be the bonus or premium per barrel for said amount of oil so received by this company, that is to govern in case settlement should be agreed upon.

2. This figure, which ever it is that is to govern, was made as an offer of compromise owing to the fact that the Attorney General of the United States had ruled that the extension agreement of January 1, 1928, was not authorized by law, and while we do not acquiesce in such ruling, we felt that in order to make a reasonable compromise we should for the purpose of such offer, assume such ruling to be correct for compromise purposes only, and offer to pay the Government the premium or bonus which it is asserted the Government could have received for said oil during said period from said White White Eagle Oil and Refining Company and Texas Company as above men-

tioned, and therefore that is the reason that amount was so specified in the compromise offer of October 11, 1929, but it was only made as a basis of compromise and adjustment of the controversy with the Government.

Trusting this gives you the information desired, I am

Very truly yours,

General Counsel
Sinclair Crude Oil Purchasing Company.

EHC: nq

Your accountant then asked why it was that the White Eagle Oil & Refining Company and the Texas Company could afford to pay this premium on the posted mid-continent price, when subject company apparently lost money on the purchase of said oil at a lower price. The following explanation was received jointly from Mr. Chandler and President Philips:

The White Eagle and Texas Companies have refineries in Wyoming, from which they have been supplying the surrounding territory with oil products. The production from the Wyoming oil fields, excluding the Government royalty oil, had decreased to such an extent that it would have been necessary for the White Eagle and Texas Companies to have transported from the mid-continent fields sufficient oil to augment the decreased Wyoming production to the point where said companies could continue to supply the local demands. The charge for transporting this additional oil from the mid-continent fields would have been from fifty to sixty cents per barrel, so the White Eagle and Texas Companies could better afford to purchase the Government royalty oil at a premium of 21½¢ or 23½¢ per barrel over the mid-continent price, than pay the charges for transportation. It was also stated that neither the White Eagle nor the Texas Companies would have been able to have handled the volume of Government royalty oil that was sold from the Salt Creek field during the original contract, because of the limited facilities of these companies in Wyoming.

Very truly yours,

R. A. W. Latimer

R. A. W. LATIMER
Principal Accountant.

Exhibit-H

Sinclair Crude Oil Purchasing Company
Schedule of Purchases 1923 to 1928 inclusive

Year		Barrels	Cost Price	Gathering Charges	Amount
1923	Mammoth Oil Co.	1165189.92	# 1349095.72	# 174791.04	# [illegible]
	Midwest Oil Co	602319.42	356775.95	647134.92	[illegible]
	Government	1616877.04	1066141.15		1066141.15
		3382532.19	2832191.82	1232926.06	[illegible]
1924	Mammoth Oil Co.	264926.37	818083.48	1047307.86	[illegible]
	Midwest Oil Co	1931968.05	3298230.75	799329.30	4097560.05
	American Wyoming Oil Co	88810.32	137620.64		137620.64
	Naval Reserve [illegible]	797892.03	1247137.65		1247137.65
	Government	5280163.79	8831593.34		8831593.34
		8443760.44	14332970.88	904034.92	15236[illegible]
1925	Mammoth Oil Co	608.10	800.15	321151.54	329[illegible]
	Midwest Oil Co	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	570262.08	1047047.18		1037047.18
	Government	3336429.44	6251106.91		[illegible]
		4540000.28	8877911.65	367903.33	[illegible]
1926	Mammoth Oil Co	[illegible]	[illegible]	346233.13	[illegible]
	Midwest Oil Co	426689.79	930844.66	269726.36	1179571.52
	Naval Reserve [illegible]	425484.79	878268.37		878268.37
	Government	2488404.09	5419806.77		5419806.77
		3338467.65	7228046.44	2243499.41	[illegible]
1927	Mammoth Oil Co	[illegible]	[illegible]	267245.7	19651.87
	Midwest Oil Co	277466.15	3927524.84	198047.26	5707399.10
	Naval Reserve [illegible]	277466.15	385224.14		385224.14
	Government	1930017.48	2701699.04		2701699.04
	[illegible] Syndicate	510.99	588.58		588.58
		2484743.10	3478601.90	198770.83	3677372.23
1928	Midwest Oil Co			126116.46	[illegible]
	Government	1537765.35	1980323.38		1980323.38
		1537765.35	1980323.38	126116.46	[illegible]
	Totals	28227263.92	47762607.75	3083154.12	50845761.87
	Mammoth Oil Co	1431650.30	2161442.49	366998.04	2528441.03
	Midwest Oil Co	3570140.07	6166560.91	2716156.08	8882716.99
	American Wyoming Oil Co	88810.32	137620.64		137620.64
	Naval Reserve [illegible]	2071305.05	3547719.34		3547719.34
	[illegible] Syndicate	510.99	588.58		588.58
	Government	21087846.89	35748675.29		35748675.29
		28227263.92	47762607.75	3083154.12	50845761.87

Exhibit H

Exhibit-B

Sinclair Crude Oil Purchasing Co.,
Sales for years 1924 to 1928 inclusive

To	Barrels	Value at Posted Market Price	Gathering Charge	Transportation Charge		Marketing Charge	Total Selling
1924 Standard of Indiana	965,164.27	1,229,118.02	144,774.73	711,136.75		96,516.50	2,206,585.00
1924 Sinclair Refining	964,372.79	1,228,091.90	144,655.91	688,811.48		96,437.30	2,157,803.59
	1,929,537.66	2,457,209.92	289,430.64	1,424,794.23		192,953.80	4,364,388.59
1925 Standard of Indiana	2,342,634.51	4,892,330.10	161,763.48	1,527,969.94		234,263.47	6,332,326.39
1925 Sinclair Refining	2,346,608.47	4,396,452.24	166,156.72	1,708,196.88		234,660.97	6,488,460.71
	4,689,241.98	8,788,782.34	327,913.20	3,236,166.72		468,924.84	12,821,787.10
1926 Standard of Indiana	2,146,066.55	4,706,384.09	171,686.27	1,529,117.99		214,606.59	6,620,823.44
1926 Sinclair Refining	2,146,216.59	4,706,499.25	171,631.73	1,415,749.56		214,621.63	6,509,997.17
	4,292,282.18	9,412,382.34	343,317.00	2,946,867.45		429,228.22	13,130,795.01
1927 Standard of Indiana	1,233,436.02	1,709,662.63	98,674.78	759,287.35		123,340.51	2,690,317.77
1927 Sinclair Refining	1,232,937.30	1,709,713.18	98,634.35	751,281.51		123,293.75	2,682,822.79
	2,466,372.32	3,418,771.91	197,309.13	1,510,568.86		246,637.26	5,393,290.66
1928 Standard of Indiana	831,354.05	1,071,624.10	66,508.25	607,342.30		83,135.33	1,928,914.96
1928 Sinclair Refining	831,414.18	1,071,665.08	66,513.07	607,162.17		83,141.35	1,928,421.67
1928 Midwest Refining	26,387.62	36,410.19	1,959.34				38,369.53
	1,689,155.85	2,179,539.37	134,980.64	1,014,909.47		166,276.68	3,895,706.16
Total	15,066,591.59	26,256,689.28	1,292,950.61	10,133,306.73		1,504,020.80	39,185,967.42

Recapitulation

	Barrels	Value at Posted Market Price	Gathering Charge	Transportation Charge		Marketing Charge	Total Selling
Standard of Indiana	7,518,655.44	13,107,428.44	643,406.49	5,260,295.13		751,865.90	19,562,907.96
Sinclair Refining	7,521,549.33	13,112,850.65	647,585.78	6,072,008.60		762,154.90	19,584,599.93
Midwest Refining	26,387.62	36,410.19	1,959.34				38,369.53
Total	15,066,591.39	26,256,689.28	1,292,950.61	11,332,306.73		1,504,020.80	39,185,967.42

EXHIBIT

Direct Expense of Northwest (Wyoming) Division
Sinclair Crude Oil Purchasing Co.

	1923	1924	1925	1926	1927	1928	Total
Operating Expenses - Direct							
Operating Labor:							
Superintendence	[illegible]	57434	28860	36441	31848	420.00	338768
Agents testing			30066	2100			32656
Gaugers	46775	165657	1240000	101087	3493366	4190—	6162696
Other		402992	41399	116687	11950	1575	374539
Supplies	25778	19159	14009	19022	12198	1774	105840
Traveling	152088	59472	57857	55990	47731	27237	384651
Automobiles	412439	511698	393900	365194	159774	58272	1753237
Miscellaneous	2429	53184	21924	14347	16900	12959	124239
Total	1491331	2587447	1891432	1737399	1231977	962506	9115852
Maintenance							
Superintendence	4404	55434	54560	36247	37498	420.00	330178
Repairs:							
Labor	66683	474267	383770	496499	635196	64866	1909750
Material		3447	44450	136056	166238	4450	353603
Supplies	439	315	3192	9054	50030	1308	94343
Traveling		70617	22311	56641	39707	1900	131576
Retirements	10789	50815	94658	53190	34708	3650	537348
Miscellaneous	17000	514	1405	36099	57791		112609
Total	153340	404707	610575	837161	1030158	143174	3169367
Operating Expenses - General							
Rental:							
Tanks							
Tank sites							
Insurance:							
Liability		185511	40876	30864	34059	18369	365478
Tanks and Contents							
Taxes:							
State and General	430000	9911630	1904644	6561271	6400000	5804536	31517081
Total	430000	10053941	1945519	6593135	6434059	5823905	31777569
Total Operating + Maintenance							
Before Depreciation	2559051	13046095	4447904	9146704	8734404	6529585	44762772
Add: Depreciation (Tanks) ($4,484,513.50)	4439962	50238755	57774181	57631774	57261134	26159757	253469089
After Depreciation	46998043	63284850	62221485	66778478	66995538	32985642	298231861
Premium - Wyoming Royalty Oil	500000	500198	513441	500000	500000	486559	3000198
Total	47498043	63785048	62734926	67278478	67495538	33472201	301232065

Exhibit D

General Administrative, Interest, Discount and Note Expense

Sinclair Crude Oil Purchasing Co.

	1923	1924	[illegible]	[illegible]	[illegible]	[illegible]	Total	Proportion of Expenses Chargeable To Wyoming Oil (15.267)
General and Administrative:								
Office Salaries.	91577.51	100633.36	[illegible]	[illegible]	[illegible]	[illegible]	667852.21	101914.06
Rent,	14712.74	11450.67	[illegible]	[illegible]	[illegible]	[illegible]	97071.82	14814.22
Telegraph,	1275.00	612.14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1141.05
Telephone,	2632.67	3294.57	[illegible]	[illegible]	[illegible]	[illegible]	28217.73	4326.71
Stationery and Office Supplies,	3744.93	2726.12	[illegible]	[illegible]	[illegible]	[illegible]	20310.96	3099.62
Postage.	1300.86	1765.52	[illegible]	[illegible]	[illegible]	[illegible]	10023.17	1529.53
Traveling.	12461.63	12573.71	[illegible]	[illegible]	[illegible]	[illegible]	56412.11	8608.48
Legal,	17273.44	22796.76	[illegible]	[illegible]	[illegible]	[illegible]	154718.44	23640.56
Advertising, Abstracts Etc.	220.59	17.12	[illegible]	[illegible]	[illegible]	[illegible]	790.60	120.55
Donations,	150.00	372.65	[illegible]	[illegible]	[illegible]	[illegible]	8691.57	1327.45
Engineering,	5918.26	5162.11	[illegible]	[illegible]	[illegible]	[illegible]	18714.31	2857.00
Corporation License Tax,	32041.51	24237.85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	21523.37
Capital Stock Tax,	13884.49	20179.50	[illegible]	[illegible]	[illegible]	[illegible]	92421.41	24167.76
Capital Investment Fee – Oklahoma	10000.98	13252.57	[illegible]	[illegible]	[illegible]	[illegible]	26501.87	4044.11
Miscellaneous,	18119.93	8706.30	[illegible]	[illegible]	[illegible]	[illegible]	37331.77	5697.93
Total – Before Depreciation	234119.54	222600.20	[illegible]	[illegible]	[illegible]	[illegible]	1368520.44	208842.05
Add: Depreciation (Off. Furniture & Equipment)	1147.11	1311.20	[illegible]	[illegible]	[illegible]	[illegible]	8744.77	1334.39
Total – After Depreciation.	235267.35	227911.40	[illegible]	[illegible]	[illegible]	[illegible]	1377305.21	210176.74
Interest, Discount and Note Expense	2819019.79	3182395.83	[illegible]	[illegible]	[illegible]	[illegible]	18732561.18	2889073.42
Total	3054287.14	3410377.23	[illegible]	[illegible]	[illegible]	[illegible]	20309666.89	3099255.16

U. S. Department of Justice
Bureau of Investigation

Washington, D.C.

April 2, 1930.

BUR. OF INVESTIGATION
APR 4 1930
DIV. NO. 3

62-19388

Director,
Bureau of Investigation,
Department of Justice,
Washington, D. C.

RE: UNITED STATES VS. SINCLAIR CRUDE OIL PURCHASING COMPANY AND MAMMOTH OIL COMPANY, In Equity #704, District Court of the United States, for the District of Delaware.

Dear Sir:

In compliance with verbal instructions, Special Accountant C. F. Risler called on Russell Hardy, Special Assistant to the Attorney General, at 2:00 P.M., April 1, 1930, and was requested by Attorney Hardy to prepare a certain schedule in connection with the above case. This schedule was prepared and submitted to Attorney Hardy on April 2, 1930.

Very truly yours,

For the Special Agent in Charge:

S. T. Browne

S. T. BROWNE
Acting Principal Accountant.

CFR:SS

62-19388-68
RECORDED
APR 4 1930
A. 3 1930

Department of Justice

Bureau of Investigation

May 6, 1930.

BUR. OF INVESTIGATION MAY 9 1930

62-625

P. O. Box 906,
San Antonio, Texas.

62-19388

Director,
Bureau of Investigation,
Department of Justice,
Washington, D. C.

SINCLAIR CRUDE OIL PURCHASING COMPANY
In Equity.

Dear Sir:-

Will you please request Special Assistant to the Attorney General Hardy to advise the present status of the above styled case. When this case was received, this office considered itself the office of origin, and this information from Special Assistant to the Attorney General Hardy is desired in order that a status report can be made.

In the event this case is still pending, I would appreciate any advice or suggestions from you as to any possible way or manner in which this office can close this case.

Very truly yours,

For the Special Agent in Charge:

R. A. W. Latimer

R. A. W. LATIMER
Principal Accountant.

RAWL-f.

RECORDED
MAY 15 1930
Reply 5-13-30

62-19388-69
BUREAU OF INVESTIGATION
MAY 9 1930 A. M.

VWH:EJC:HCB
62-19388

May 17, 1930.

Mr. Gus T. Jones,
P. O. Box 906,
San Antonio, Texas.

Dear Sir:

Re: United States vs. Sinclair Crude
Oil Purchasing Company and Mammoth
Oil Company.

With further reference to Bureau letter dated February 4, 1930, in the above case, please be advised that a final decree was entered in this case on April 7, 1930, in the United States District Court at Wilmington, Delaware, awarding the Government $975,061.64 and costs.

Special Assistant to the Attorney General Hardy advised that the figures for the recovery were based on the reports of Principal Accountant Latimer and that the case may now be considered closed. You should therefore submit a report closing this case in your office and record the recovery of the above amount.

Very truly yours,

Director.

RECORDED

MAY 17 1930

62-19388-70
BUREAU OF INVESTIGATION
MAY 19 1930 P. M.
DEPARTMENT OF JUSTICE
FILE

May 13, 1930.

VWH:WFG:HCB
62-19358-69

[illegible]
MAY 15 1930

Mr. Gus T. Jones,
P. O. Box 906,
San Antonio, Texas.

Dear Sir:

Re: Sinclair Crude Oil Purchasing Company
In Equity

With reference to your letter dated May 6, 1930, please be advised that Special Assistant to the Attorney General Hardy stated that this matter has been closed by the Department; and that the Government recovered approximately $375,000, and that no further investigation will be required. Details of the settlement will be secured as soon as the Department file is available, and you will be advised so that a recovery may be recorded and the case closed in your office.

Very truly yours,

Director.

THIS CASE ORIGINATED AT San Antonio, Tex. S.A. File 62-625

REPORT MADE AT:	DATE WHEN MADE:	PERIOD FOR WHICH MADE:	REPORT MADE BY:
San Antonio, Tex.	5/24/30	5/17/30	R.A.W.Latimer, Princ. Acct.

TITLE:	CHARACTER OF CASE:
SINCLAIR CRUDE OIL PURCHASING COMPANY.	IN EQUITY.

62-19388

SYNOPSIS OF FACTS: Final decree entered April 7, 1930, at Wilmington, Delaware, awarding Government $375,081.64 and costs.

C.

Reference: Bureau letter dated May 17, 1930.

Recorded noted B.

DETAILS:

The above referenced letter advises that a final decree was entered in this case on April 7, 1930, in the U. S. District Court at Wilmington, Delaware, which decree awarded the Government $375,081.64 and costs. Special Assistant to the Attorney General Hardy advises that this figure was based on a report of Principal Accountant Latimer, and that the case may now be considered closed.

CLOSED.

MAY 29 1930

DETAILS:

DO NOT WRITE IN THESE SPACES

APPROVED AND FORWARDED:	SPECIAL AGENT IN CHARGE	62-19388-71	RECORDED AND INDEXED:
WASHINGTON REFERENCE:	COPIES OF THIS REPORT FURNISHED TO: 3 - Bureau; 2 - San Antonio.; 1 - P. J. Winkler, Sp. Ac.	BUREAU OF INVESTIGATION MAY 27 1930 A.M. DEPARTMENT OF JUSTICE	CHECKED OFF: JUN 2 1930
		ROUTED TO: Div. Three	FILE:

RAWL-f.

7-1323

Federal Bureau of Investigation
United States Department of Justice

San Antonio, Texas
May 17, 1943

Director, FBI

Re: SINCLAIR CRUDE OIL PURCHASING CO.-
IN EQUITY

Dear Sir:

A review of the above-entitled case indicates that work papers of former Principal Accountant R. A. W'LATIMER, together with a photostat copy of a letter addressed to him from EDWARD H. CHANDLER, dated February 11, 1930, and a photostat copy of the subject company's statement of profit and loss have been retained in the bulky exhibit file.

It appears that this case was closed on May 24, 1930, following the entering of a final decree on April 7, 1930. Since this case has been in a closed status since 1930, it appears that the exhibits described above have served their purpose and, therefore, will be destroyed within the next 30 days unless advised to the contrary by the Bureau.

Very truly yours,

R. C. Suran

R. C. SURAN
SAC

RECORDED
&
INDEXED

62-19388-72

1943

62-625

FBC:CL

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
FOI/PA# 1433147-000

Total Deleted Page(s) = 13
Page 27 ~ Referral/Consult;
Page 28 ~ Referral/Consult;
Page 29 ~ Referral/Consult;
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Page 31 ~ Referral/Consult;
Page 32 ~ Referral/Consult;
Page 33 ~ Referral/Consult;
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Page 38 ~ Referral/Consult;
Page 39 ~ Referral/Consult;

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J-77, 070

Standard Form No. 1094-Revised
Form approved by
Comptroller General U. S., June 11, 1937
(Gen. Reg. No. 86-Revised)

U. S. [redacted]ernment Tax Exemption Certificate
(See instructions on reverse hereof)

U. S. [redacted]EPARTMENT OF JUSTICE
(Department, Bureau, or Establishment)

[redacted] INDICATE AMOUNT OF TAX		
[redacted]D	INCLUDED	EXCLUDED
Federal	X X X	$ ~~X X X~~
*State	$ X X X	$1.25
*Local	$ X X X	$ X X X

(Use one block only, cancel others)

I certify that I have purchased for the exclusive use of the United States Government from RICHFIELD OIL CORPORATION
(Name and local address of vendor—Street, City, and State)

delivered at Phoenix, Arizona
(City) (State)

----25 gal. gas @ .05 State.
(Description, quantity, and unit price)

which has (or have) been delivered, or which will be delivered and invoiced pursuant to purchase orders issued under contract No. TPS-7230A, dated ...., and for which a tax exemption certificate has not heretofore been issued.

Date 9/11/45

Special Agent in Charge
(Signature and title of purchaser)

Identification Card No. ....
Vehicle License No. ....

For VENDOR
Certified correct and just;

Name ....
By ....
Title ....

To be filled in ONLY when a State or local tax is included in the purchase price.

For ADMINISTRATIVE OFFICE
D. O. .... (Name) Symbol ....
Bu. Vou. No. .... Period ....

*State and local taxes to be paid only when absolutely necessary to obtain commodity required.

62-25711

INSTRUCTIONS

1. This form will be used w[illegible] a State or local sales tax attaches at the time of sa[illegible] the consumer and/or when the merchandise purchased is subject to the Federal tax imposed by the Revenue Act of 1932, as amended, and it can be definitely established at the time of purchase that such Federal tax is not included in the amount paid by the purchaser.
2. Using a separate certificate for each class of tax involved, the certificate will be issued to the vendor when the price paid is exclusive of the Federal, State, or local tax, and will be retained by the purchaser when the price paid includes a State or local tax.
3. The serial number of each certificate prepared will be shown on the payment voucher.
4. If the space provided for showing the quantity, price, etc., of the articles purchased is not sufficient, a separate statement may be attached to the form.
5. When a certificate is used in connection with the purchase of gasoline or oil delivered into the fuel tank or crankcase of a motor vehicle, indicate the license plate number or other official vehicle designation in the space provided.
6. Exemption certificate will NOT be issued:
   (a) For merchandise purchased which is subject only to the Federal tax and such tax is included in the price paid.
   (b) For items of subsistence expense when an official or employee of the Federal Government is traveling on official business under a per diem allowance.
   (c) For items of travel expense when an official or employee of the Federal Government is traveling on official business in his personally owned motor vehicle and is granted a mileage allowance.
   (d) By individuals in official travel status, unless payment is actually made at the time of purchase.

PENALTY FOR FRAUDULENT USE

The fraudulent use of this certificate for the purpose of securing exemption from the payment or adjustment of taxes will subject the guilty party to a fine of $10,000 or imprisonment for not more than 10 years or both.

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Director, FBI

DATE: October 1, 1945

FROM : SAC, Phoenix

SUBJECT: TAX EXEMPTION CERTIFICATE #J-77,070
RICHFIELD OIL CORPORATION
CONTRACT #TPS-72303

Enclosed herewith please find U. S. Government Tax Exemption Certificate #J-77,070 dated September 11, 1945, in the amount of $1.25 made out to the Richfield Oil Corporation under Contract #TPS-72303.

The Richfield Oil Corporation has returned this Certificate to us stating that: "We are permitted by the State of Arizona to file a copy of the invoice to support our State tax claim in lieu of an exemption certificate and, therefore, do not require the above form."

In accordance with the above, this Certificate has been marked "Cancelled" and is being enclosed herewith.

Noted 10/12/45 no action necessary

ENCLOSURE

HRD:TND
66-316

62-25411-

53 OCT 29 1945

DE-INDEXED
DATE: 12/3/56
29

FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT LOS ANGELES, CALIFORNIA N.Y. FILE NO. 46-201 den

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
NEW YORK CITY	10-15-36	10-8-36	C. S. BELLINO

TITLE	CHARACTER OF CASE
PAN AMERICAN PETROLEUM COMPANY, et al.	FRAUD AGAINST THE GOVERNMENT

SYNOPSIS OF FACTS: Property at 13-15 East 84th Street and 16-18 East 85th Street, New York City, purchased by E. L. DOHENY, JR. on 5-29-22, for $235,000; paid cash, $15,000., balance in three mortgages; property transferred on 5-18-26 to Petroleum Securities Corporation, consideration of $100. Details of this transfer unknown. Sold by Petroleum Securities Corporation to OGDEN REID, present owner, on 12-6-27, for $375,000., cash, $200,000. and first mortgage of $175,000. Assessed value for tax purposes as at 10-1-36 is $445,000. Legal description of property set forth.

\- RUC -

REFERENCE: Letter dated October 1, 1936, from the Los Angeles Office.

DETAILS: AT NEW YORK, N.Y.

An examination of the records in the office of the Register of New York County, Hall of Records Building, New York City, shows that the property located at 13-15 East 84th Street and extending to 16-18 East 85th Street, is presently owned and occupied by OGDEN REID. The legal description of this property is as follows:

"All that plot of land in the Borough of Manhattan, City of New York, with the buildings thereon, bounded and described as follows:-

APPROVED AND FORWARDED: SPECIAL AGENT IN CHARGE

DO NOT WRITE IN THESE SPACES

62-25711-101

OCT 20 1936

OCT 26 1936

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3 Bureau
6 Los Angeles
2 New York

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[illegible] JUL 31 1964

10/24/36 [illegible]

"Beginning at a point on the northerly side of 84th Street, distant one hundred twenty feet westerly from the intersection of the northerly side of 84th Street and the westerly side of Madison Avenue, and running thence northerly parallel with Fifth Avenue, two hundred and four feet four inches to the southerly side of 85th Street: thence westerly along the southerly side of 85th Street, fifty feet: thence southerly, parallel with Fifth Avenue, one hundred two feet two inches to the middle line of the block: thence easterly, parallel with 85th Street, and along said middle line of the block, one foot: thence southerly parallel with Fifth Avenue, and part of the way through a party wall, one hundred two feet two inches to the northerly side of 84th Street, and thence easterly along the northerly side of 84th Street, forty nine feet to the point of beginning."

The records show that on June 2, 1922 this property, listed as Block 1496, Lot 11, 12, 63, 64, was sold by the United States Trust Company of New York and WILLIAM M. V. HOFFMAN, trustees of the estate of CHARLES FREDERICK HOFFMAN, to EDWARD L. DOHENY, JR., Plaza Hotel, Fifth Avenue and 59th Street, New York City, and recorded in Liber 3281, Page 74; that on June 11, 1926 this property was transferred by DOHENY and his wife to the Petroleum Securities Company, and recorded in Liber 3547, Page 463; that on December 28, 1927 this property was sold by the Petroleum Securities Company to OGDEN REID, and recorded in Liber 3630, Page 51; that on May 2, 1930 OGDEN REID transferred this property to E. DOUGLAS HAMILTON, Flushing, New York, as recorded in Liber 3755, Page 349; and retransferred to OGDEN REID by E. DOUGLAS HAMILTON on the same date, May 2, 1930, as recorded in Liber 3755, Page 345.

The conveyance records show that on May 29, 1922 the United States Trust Company of New York, 45 Wall Street, and WILLIAM M. V. HOFFMAN, as trustees under the last will and testament of CHARLES FREDERICK HOFFMAN, deceased, sold to EDWARD L. DOHENY, JR., the aforementioned property in consideration of $235,000. This purchase price includes two mortgages aggregating $170,000. This recorded proceeding was made at the request of the Title Guarantee & Trust Company, 176 Broadway, New York City.

The conveyance records also show that on May 18, 1926 EDWARD L. DOHENY, JR. and LUCY SMITH DOHENY, his wife, transferred the previously described property to the Petroleum Securities Company, in consideration of $100. This recorded proceeding was made at the request of LEE DONNELLY & CURREN, 160 Broadway, New York City, on June 11, 1926.

The conveyance records further show that on December 6, 1927 the Petroleum Securities Company of Los Angeles, California sold this property to OGDEN REID in consideration of one dollar, lawful money of the United States. This recorded proceeding was made at the request of the Title Guarantee & Trust Company, 176 Broadway, New York City.

The mortgage records, Liber 3269, Page 231, show that on March 15, 1922 EDWARD L. DOHENY, JR. executed a third mortgage aggregating $50,000. to the United States Trust Company of New York and WILLIAM M. V. HOFFMAN, as trustees under the last will and testament of CHARLES FREDERICK HOFFMAN, deceased, said mortgage to be paid in five annual installments, starting June 1, 1923, with interest at 6 percent per annum, said interest to be paid semi-annually. This third mortgage of $50,000. is subject and subordinate to two mortgages on which there remains unpaid in the aggregate $170,000. and interest, recorded in the office of the Register of the County of New York, in Libers 3080 and 3082, Pages 234 and 58, respectively, now prior liens on said premises. It is noted that mortgage of 3-15-22 precedes the transfer of title to DOHENY, JR.

All of the above mortgages were cancelled as per certificate recorded in Liber 697, Pages 292 and 293, and in Liber 698, Page 195, of Discharges of Mortgages.

The mortgage records further show that in Liber 3845, Page 213, a first mortgage amounting to $175,000. was given to the Petroleum Securities Company by OGDEN REID on the aforementioned premises. This mortgage was discharged on November 21, 1929, and same was recorded in Liber 739, Page 274, of Discharges of Mortgages.

Mr. M. F. SMITH, Law Department, Title Guarantee & Trust Company, 176 Broadway, advised agent that no contract for the purchase of the property located at 13-15 East 84th Street and extending to 16-18 East 85th Street, was in the file showing the details of the agreement for the purchase of this property by E. L. DOHENY, JR. in 1922.

However, the records show that the purchase price was $255,000., and that the Title Guarantee & Trust Company insured title to DOHENY in this amount. He stated that there was a first mortgage of $100,000. and a second mortgage of $70,000. held by ETHEL BARBEY DeJUMILHAC; a third mortgage of $50,000. held by the United States Trust Company of New York and WILLIAM M. V. HOFFMAN, as trustees; and that a cash payment of $15,000 was made on signing of the contract. A notation appeared on these records that the financial settlement was made by the parties themselves and not by the Title Guarantee & Trust Company.

Mr. SMITH stated that the transfer of this property by E. L. DOHENY, JR. to the Petroleum Securities Company was not conducted by the Title Guarantee & Trust Company, and consequently he could not furnish any information other than the fact that the deed showed a consideration of $100. as having been paid.

Mr. SMITH presented to agent a copy of a contract for the sale of this property, dated November 23, 1927, sold by the Petroleum Securities Company to OGDEN REID. It was noted that this property was purchased by OGDEN REID for $375,000., payable as follows:

$10,000.	on signing of this contract.
190,000.	in cash or certified check on the delivery of the deed.
175,000.	by the purchaser by executing bond in that amount secured by a purchase money mortgage covering the premises, same to mature in 5 years from its date, and bearing interest at the rate of 5%, payable semi-annually.
$375,000.	

Examination of the tax assessment books in the office of the Board of Taxes and Assessments, 7th Floor, Municipal Building, New York City, reveals the following valuations:

46-201

Year of Tax	Assessment Date	Owner or Occupant	Assessed Value of Real Estate with Improvements Thereon
1922	10-1-21	Charles F. Hoffman	$275,000.
1923	10-1-22	Edward L. Doheny, Jr.	325,000.
1926	10-1-25	Edward L. Doheny, Jr.	340,000.
1927	10-1-26	Petroleum Securities Company	350,000.
1928	10-1-27	Petroleum Securities Company	350,000.
1929	10-1-28	Ogden Reid	362,000.
1937	10-1-36	Ogden Reid	445,000.

\- - - - -

For the information of the Los Angeles Office, OGDEN REID is Editor of the New York Herald Tribune newspaper.

\- REFERRED UPON COMPLETION TO OFFICE OF ORIGIN -

FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT LOS ANGELES, CALIFORNIA. L. A. FILE NO. 46-59-

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
Los Angeles	11-11-36	10-29-36	J. H. Roche RS

TITLE	CHARACTER OF CASE
PAN AMERICAN PETROLEUM COMPANY, et al.	Fraud Against the Government.

SYNOPSIS OF FACTS:

Warren Stratton of Martineau & Stratton, Los Angeles, advises that inquiry should be limited for present to determination of assets in estate of E. L. Doheny, Sr. Examination to be made of estate tax return when same is filed with Collector of Internal Revenue, Los Angeles, California.

P.

REFERENCE; Report of Special Agent J. H. Roche, Los Angeles, California, dated Sep. 23, 1936.

DETAILS: AT LOS ANGELES, CALIFORNIA.

MR. WARREN STRATTON, Martineau & Stratton, 444 Roosevelt Building, Los Angeles, advised that after review of the report of reference Mr. Martineau and he were of the opinion that for the present it would not be necessary to make investigation to determine what assets E. L. DOHENY, SR., may have transferred in contemplation of death or to prevent the collection of any judgments. For the present, it is desired to determine fully what assets are in the estate.

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JUL 1964

APPROVED AND FORWARDED: J.H. Hanson SPECIAL AGENT IN CHARGE

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62-25711-102

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3 Bureau
2 Portland
1 Mr. Martineau, Jr.
2 Los Angeles
1 cc Mr McMahon 11-20-36

C2-25711

Re. Richfield Oil Co, et al. September 2, 1931

Memo for Mr. Egan:

Will you please have photostats of the following prepared for our use in this investigation:

(1) (Folder #1 1-4-4-29) Bill of Complaint filed by S. W. Williams in Sept. 1924.

(2) " Memorandum Decision of Judge Paul J. McCormack. dated 10/8/24.

(3.) " Order and order allowing Complainant's motion of temporary injunction, signed by Judge Paul J. McCormack 10/11/24.

(4) Amended Bill of Complaint filed by Atlee Pomerene on 6/14/27, with accompanying exhibits; A, B, C, D, E, F.

(5) (File #2. 4/20/29 - 11/25/30 -) Defendants' answer to Amended Bill of Complaint

(6.) " ✓ Letter from Atlee Pomerene to Atty. Genl. Mitchell, 12/24/29.

(7) " ✓ Opinion and Decision rendered by Judge Norcross, 11/8/30.

(8) (File #3. 12/10/30 – 4/29/31 –) ✓ Memorandum from Pomerene, Kirby, and Harrison to the Atty. Genl., dated 1/7/31.

(9) " ✓ Decree — Reservation of Powe and reservations of Exceptions. — Findings of Fact, and Conclusions of Law rendered by Judge Norcross all dated 1/30/31

(10) " ✓ Petition in Equity # S-125-J filed 1/31/31 in re The Republic Supply Company of California vs. Richfield Oil Co of California, with accompanying Exhibit # A. and other orders, petitions, answers, etc. (fastened with paper clip.)

(11.) Letter from Pomerene to Atty Genl. dated 3/24/31

" Letter from Richfield Oil Co. to Pomerene, dated 3/14/31.
Letter from Price, Waterhouse &Co. to McDuffie, dated 3/12/31, with accompanying balance sheet. (fastened with paper clip

(12.) " Consolidated statement of assets and liabilities of Pan American Pet. Co. and Los Angeles Midway Pipe Line Co., and of the Richfield Oil Co and wholly owned companies prepared by Price, Waterhouse Co. as of 1/14/31.

(13) File #4. 5/1/31-
Letter from Storey to Pomerene dated 5/1/31.
Letter from Blood to McDuffie, dated, 4/25/31 with accompanying appraisal schedules.

(14) " Letter from Storey to Pomerene dated 7/24/31.

Richfield oil

PHOTOSTATED BY DEPT. OF JUSTICE

IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA.

Northern Division

United States of America, ~~Complainant~~ Plaintiff, v. Pan American Petroleum Company, a corporation, Defendant.	No. B.115 M. In Equity.

BILL OF COMPLAINT.

Comes now the United States of America by its undersigned solicitor, acting herein under the authority of the Attorney General, and brings this Bill of Complaint against the Pan American Petroleum Company, and for cause of action alleges:

1. The defendant, Pan American Petroleum Company, is a corporation existing under and by virtue of the laws of the State of California, and is a citizen and resident of said state and of the Southern District thereof.

2. That prior to the times mentioned herein and at all times since, the United States was and now is the owner of the following described lands, situate in Kern County, California, to wit:

> (a) Lots 7, 8, 9, 10, 11, 12, 13 and 14 of section one (1), township thirty-one (31) south, range twenty-four (24) east, also the following described tract:
> Beginning at a point twenty-five hundred and fifty (2550) feet easterly and nine hundred (900) feet south of the northwest corner of said section one; thence easterly along a line parallel to the north boundary of said section to a point nine hundred (900) feet west of the east boundary of said section; thence southerly on a line parallel with the east boundary of said section one, to its intersection with the quarter section line of said section; thence westerly along said quarter section line to

its intersection with the west boundary of said section; thence northerly along the said west boundary line to a point nineteen hundred and eighty (1980) feet southerly from the northwest corner of said section one; thence easterly twenty-five hundred and fifty (2550) feet on a line parallel with the north boundary line of said section one; thence north to the place of beginning. Comprising four hundred and twenty-one (421) acres, more or less.

(b)Beginning at a point on the west boundary of section one, township thirty-one south, range twenty-four east, Mount Diablo Meridian, nine hundred (900) feet southerly from the northwest corner of said section; thence easterly twenty-five hundred and fifty (2550) feet on a line parallel with the north boundary of said section; thence south ten hundred and eighty (1080) feet; thence westerly on a line parallel with the north boundary of said section to its intersection with the west boundary thereof; thence northerly along said west boundary line to the point of beginning. Comprising sixty-three and two-tenths (63.2) acres, more or less.

(c) Beginning at a point eleven hundred and seventy-three (1173) feet south of the northeast corner of section two (2), township thirty-one (31) south, range twenty-four (24) east of the Mount Diablo Meridian, thence southerly along the east boundary line of said section two (2) to the quarter section corner; thence westerly to the quarter section corner on the west boundary line of said section two (2); thence northerly along the western boundary line of said section two (2) to a point eleven hundred and seventy-three (1173) feet south of the northwest corner thereof; thence easterly on a line parallel to the northerly boundary line of said section two (2) to the place of Beginning. Containing approximately one hundred and seventy-six and seventy-eight one-hundredths (176.78) acres, more or less.

Said lands were included in an Executive Order of Withdrawal, dated September 27, 1909, in the aid of proposed legislation, and were and are a part of Naval Petroleum Reserve No. One, created by Presidential Order of September 2, 1912, and are very valuable for the oil and gas deposits contained therein.

3. By an Act approved June 4, 1920, 41 Stat. 812, which is now and at all times herein mentioned, in full force and effect, the Secretary of the Navy was directed to take possession of all properties within naval petroleum reserves as were or might become subject to the control of and use by the United States for naval purposes; to conserve, develop, use and operate the same in his discretion directly or by contract, lease or otherwise.

4. Subsequently to the approval of said Act of June 4, 1920, Albert B. Fall, who was then plaintiff's Secretary of the Interior,

induced the then President of the United States to issue an Executive Order, dated May 31, 1921, a copy of which is attached to this Bill of Complaint as Exhibit A and made a part hereof. By the terms of this Order, such powers conferred and duties imposed by Congress upon the Secretary of the Navy were attempted to be transferred and committed to the Secretary of the Interior.

5. On February 8, 1922, a certain instrument designated "Lease of Oil and Gas lands under the Act of June 4, 1920, 41 Stat. 812," was executed by the said defendant, Pan American Petroleum Company, and E. C. Finney, First Assistant Secretary of the Interior, who assumed to act for and on behalf of the United States of Ameri a, by the provisions of which the land described under (c) in paragraph 2 hereof was leased to the said Pan American Petroleum Company for a period of twenty years, upon terms and conditions set forth in said instrument, a true copy of which is attached to this bill as Exhibit B and made a part hereof.

On December 14, 1921, a certain instrument designated "Lease of Oil and Gas Lands under the Act of June 4, 1920," was executed by said defen ant, Pan American Petroleum Company, and E. C. Finney First Assistant Secretary of the Interior, who assumed to act for and on behalf of the United States of America, by the provisions of which the land described in (a), paragraph 2 hereof, was leased to the said Pan American Petroleum Company for a period of twenty years, upon terms and conditions set forth in said instrument, a copy of which is attached to this bill, marked Exhibit C, and made a part hereof.

On December 14, 1921, a certain instrument designated "Lease of Oil and Gas Lands under the Act of June 4, 1920," was executed by one W. R. Ramsey and E. C. Finney, First Assistant Secretary of the Interior, by the provisions of which the land described in (b) under paragraph 2 hereof, was leased to said W. R. Ramsey for a period of twenty years, upon the conditions set forth in said instrument, a true copy of which is attached tto this bill, marked

Exhibit D, and made a part hereof. This lease was assigned to the defendant, Pan American Petroleum Company, by W. R. Ramsey on the 14th day of December, 1921, a copy of the assignment being attached hereto, marked Exhibit E, and made a part hereof.

The said purported leases were granted without requesting proposals therefor, without advertisement thereof, and without competitive bidding for the same.

6. Thereafter, to wit, on July 28, 1922, upon application of the defendant, Pan American Petroleum Company, the three leases above mentioned were consolidated into one, a copy of the consolidated lease being attached hereto as Exhibit F and made a part of this bill.

7. In thus executing the said instruments of lease, the said E. C. Finney did so at the suggestion and under the direction of said Albert B. Fall, who was then Secretary of the Interior, under the supposed authority of Act of Congress approved June 4, 1920, 41 Stat. 812, and the said Executive Order of May 31, 1921.

Said Executive Order was contrary to the express mandate of Congress declared in said Act of June 4, 1920, was without legal effect, and was inoperative to confer upon the Secretary of the Interior, or his subordinates, any power to exercise the authority or perform any of the functions committed to the Secretary of the Navy by said Act of Congress.

Neither the said Albert B. Fall, as Secretary of the Interior, or otherwise, nor the said E. C. Finney, as First Assistant Secretary of the Interior, or otherwise, was empowered or authorized under said Act of Congress, or under said Executive Order, or otherwise, to grant or execute said leases.

Said purported leases were void and inoperative to grant to the defendant, Pan American Petroleum Company, any right, title or privilege in and to said described lands.

8. The plaintiff further avers that said leases were invalid and fraudulent in that they were made without any adequate

consideration therefor, the royalty exacted thereunder being much less than that demanded on other leases of like lands in that vicinity; and that adequate consideration for the leases was not demanded for the reason that on or about November 30, 1921, one E. L. Doheny, President of defendant, Pan American Petroleum Company, had paid the said Albert B. Fall, Secretary of the Interior, for his own use and benefit, the sum of one hundred thousand dollars, lawful money of the United States, which payment was made for the purpose of corruptly securing special favors and privileges from the said Fall as Secretary of the Interior in the leasing of Naval Petroleum Reserves and Public Lands of the United States, and the said leases were involved were made in part consideration for the payment of that sum of money.

9. Pursuant to the supposed authority and privilege granted under said leases, the defendant, Pan American Petroleum Company, has entered into possession of the lands above described, has drilled wells thereonf, has produced and is now producing large quantities of oil and gas, the exact amount and value of which is to this plaintiff unknown.

Plaintiff is informed and verily believes that said defendant, Pan American Petroleum Company, proposes to drill additional wells upon said tracts of land, and will do so unless restrained therefrom by order of this court. Such proposed action and as well the continuous extracting of oil from existing wells will and does cause irreparable damage to the lands of the plaintiff and a drain u on the oil deposits in said Naval Petroleum Reserve No. One, which under the declared policy of the United States of America, should be conserved for the uses of its navy.

That all the acts, things and operations of the said Pan American Petroleum Company under the pretended authority of said instruments of lease, are unauthorized and illegal and constitute a continuing trespass upon the property of the plaintiff.

Plaintiff therefore prays:

1. That a temporary injunction issue, to restrain defendant, Pan American Petroleum Company, and all persons acting by its direction or authority, from further operations upon said land by drilling, producing or otherwise, and from further trespassing thereon, and that upon final hearing, said injunction be made permanent.

DEPT. OF JUSTICE

2. That the said instruments of lease described in paragraphs 5 and 6 hereof be declared to be null, void and of no effect and to confer no right or privilege upon said defendant, Pan American Petroleum Company, or any one claiming by, through or under it.

3. That the United States of America be declared to be the owner of said land, free and clear of all claims of said defendant under said leases or otherwise, and that defendant and all persons claiming by, through or under it be perpetually enjoined from asserting any right, title, interest or privilege therein pursuant to said leases.

4. That a receiver be appointed, to take charge of, manage, conserve and operate the property here involved, under the direction of this court.

5. That the defendant be required to account to the plaintiff for all oil and gas extracted and to pay to the plaintiff the value thereof, less that already delivered as royalty under the terms of said leases.

6. For such other and further relief to which the plaintiff may be entitled in equity and good conscience.

S. W. Williams
Special Assistant
to The Attorney General.

JOSEPH C. BURKE,
United States Attorney

Solicitor for the United States

ROBERT R. CAMARILLO
Assistant United States Atty.

State of California } Ss.
County of }

S. W. WILLIAMS personally appeared before me, who being by me duly sworn, says that he is Solicitor for the Plaintiff, that he has read the foregoing bill and knows its contents; that so far as the matters therein stated are of his own knowledge, the same are true; and that as to all matters therein stated, the same are true to the best of his knowledge, information and belief.

____

Sworn and subscribed to before me, this ... September, A. D. 1924.

____

IN THE UNITED STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF CALIFORNIA
NORTHERN DIVISION.

United States of America, Plaintiff, vs Pan American Petroleum Company, a corporation, Defendant.	No. B 115-M In Equity. Memorandum Decision.

2

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MEMORANDUM DECISION on Plaintiff's Motion for the Appointment of a Receiver and for an Injunction Pendente Lite.

::

Until the merits of this suit can be fully and properly presented by both sides the status quo hereof can be best preserved by a curtailment of production of oil from the leases in suit and by a cessation of all drilling on said leases not necessary in order to prevent the depletion or diminution of the oil and gas within the lands involved in the three questioned leases.

The cause is now at issue under the allegations of the bill of complaint to which a verified answer of the defendant has been filed wherein all material allegations of the complaint have been put in issue, and it is therefore proper to assume that both parties hereto will desire an early hearing of this suit so that a decisive determination of all of the issues hereof can be had on the merits without unnecessary delay. The merits of this controversy can be determined only after a full hearing. No such hearing was had on this motion, and no determination whatever of any issue of the case is finally made by this ruling.

I find no reason for the appointment of a Receiver to

take charge of, manage, or conduct the property in controversy at this time. The solvency of the defendant is admitted and its financial ability to respond for any damage or detriment which might be occasioned by its continuing in possession and control of the lands in controversy until the hearing and determination of this suit is not questioned by the plaintiff.

The defendant is at present in uncontested possession of lands within and without the Naval Oil Reserves of the United States, which are contiguous and adjacent to the lands in controversy herein and is producing from such contiguous and adjacent lands oil and gas. It has established upon such lands as well as upon the lands in controversy here expensive, extensive and necessary improvements for drilling wells and producing oil and gas therefrom. These instrumentalities ap ear to be operated by the defendant in an efficient and economical manner, and the continuance of necessary operations upon the land in controversy in this suit can be accomplished more satisfactorily, economically, and efficiently by defendants than it could be by Receivers who would not be able to utilize the improvements upon the adjacent and contiguous property without additional expense to the litigants herein.

I feel that the necessary defensive and protective operations to prevent drainage from the questioned leases to contiguous lands especially those of Sections 35 and 36, Township, 30 South;Range 25East;Mount Diabolo Meridian,can be done less expensively and more efficiently by the defendants than by Receivers. In this situation Receivers are unnecessary at this time.

I am inclined to believe from a close study of the evidence submitted at the hearing of these motions that the present producing wells and partly drilled wells on the

three leases in controversy herein together with the wells on the various strip leases(so called)adjoining the Northerly and Westerly lines of Naval Petroleum Reserve No.1 furnish sufficient protective and defensive means to prevent substantial diminution and drainage of the oil and gas involved in this suit--at least such wells seem to me under the proof submitted at the hearing to be reasonable adequate for said purpose.

It may be proper pending the final determination of this suit to drill more wells and to increase the production on the lease known as "010043-I" in the Northeasterly portion of Section1,Township 31 South;Range 24 East;Mount Diabolo Meridian, in order to protect and defend the oil and gas within the questioned leases from drainage or loss by reason of the operations on said Sections 35 and 36 referred to above,and,if so,defendant should be permitted to further drill on the aforesaid lease. Except as to this last mentioned lease there should be no further drilling commenced on any of the areas in controversy in this suit pending the trial and decision of this suit or until the further order of the Court herein.

Counsel for plaintiff will prepare an order and an injunction pendente lite in accordance with the foregoing memorandum decision,serve the same upon defendant's counsel and thereafter submit the same to this Court for consideration.

Paul J. McCormick
United States District Judge.

Dated,October 8th,1924.

IN THE DISTRICT COURT OF THE UNITED STATES
IN AND FOR THE SOUTHERN DISTRICT OF CALIFORNIA
NORTHERN DIVISION

UNITED STATES OF AMERICA,
Complainant,
-vs-
PAN AMERICAN PETROLEUM COMPANY, a corporation,
Defendant.

B 115 M. IN EQUITY

ORDER AND ORDER ALLOWING COMPLAINANT'S MOTION FOR A TEMPORARY INJUNCTION.

Complainant's motion for an order to show cause why a receiver should not be appointed to take charge, manage, conserve and operate the property under the direction of this court, and also directing the defendant herein to show cause, if any it has, why a temporary injunction should not issue to restrain the said defendant, and all persons acting by its direction or authority, from further operations upon said land, by drilling, producing, or otherwise, and from further trespassing, pending the final termination of this action, said land and property herein referred to, being described in complainant's complaint on file herein, having heretofore come on regularly to be heard, and the same having been argued and submitted by the respective counsel for the parties hereto,

IT IS HEREBY ORDERED that said motion for the appointment of a receiver to take charge, manage, conserve and operate said property under the direction of the Court, is hereby denied.

IT IS FURTHER ORDERED that said motion for a temporary injunction be the same hereby is allowed to the extent that a preliminary injunction issue, enjoining and restraining the defendant, Pan American Petroleum Company, and all persons acting under it or by its direction or authority, from commencing further drilling operations on the following described property, to-wit:

Lots 7, 8, 9, 10, 11, 12, 13 and 14 of Section One (1) township thirty one (31) south, range twenty four (24) east, also the following described tract:

Beginning at a point twenty five hundred and fifty (2550) feet easterly and nine hundred (900) feet south of the northwest corner of said section one; thence easterly along a line parallel to the north boundary of said section to a point nine hundred (900) feet west of the east boundary of said section; thence southerly on a line parallel with the east boundary of said section one, to its intersection with the quarter section line of said section; thence westerly along said quarter section line to its intersection with the west boundary of said section; thence northerly along the said west boundary line to a point nineteen hundred and eighty (1980) feet southerly from the northwest corner of said section one; thence easterly twenty five hundred and fifty (2550) feet on a line parallel with the north boundary line of said section one; thence north to the place of beginning, comprising four hundred and twenty one (421) acres, more or less.

Beginning at a point eleven hundred and seventy three (1173) feet south of the northeast corner of section two (2), township thirty one (31) south, range twenty four (24) east of the Mount Diablo Meridian, thence southerly along the east boundary line of said section two (2) to the quarter section corner; thence westerly to the quarter section corner on the west boundary line of said section two (2); thence northerly along the western boundary line of said section two (2) to a point eleven hundred and seventy three (1173) feet south of the northwest corner thereof; thence easterly on a line parallel to the northerly boundary line of said section two (2) to the place of beginning, containing approximately one hundred and seventy six and seventy eight one hundredths (176.78 acres, more or less.

during the pendency of this action, or until further order of the Court herein, and that in all other respects said motion for a temporary injunction be and the same is hereby denied.

Dated this 11th day of October, 1924.

(Signed) PAUL J McCORMICK
United States District Judge.

IN THE UNITED STATES DISTRICT COURT,
FOR THE SOUTHERN DISTRICT OF CALIFORNIA,
NORTHERN DIVISION

United States of America, Plaintiff,	( ) ( )	
vs.	( )	No. B - 115-M
Pan American Petroleum Company, a corporation, Defendant.	( ) ( )	In Equity.

AMENDED BILL OF COMPLAINT

Now comes the United States of America, by Owen J. Roberts and Atlee Pomerene, Special Assistants to the Attorney General, thereunto by him duly authorized, and having obtained leave of the court so to do, files this its amended bill of complaint against The Pan American Petroleum Company, and for its cause of action says:

1. The defendant, The Pan American Petroleum Company, is a corporation organized and doing business under the laws of the State of California, and is a citizen and resident of said state, and of the southern district thereof.

2. At the times hereinafter mentioned, Edward L. Doheny was the duly elected and acting chief executive officer of The Pan American Petroleum Company.

3. Albert B. Fall, on March 5, 1921, and until March 4, 1923, was the duly appointed, qualified and acting Secretary of the Interior of the United States of America.

4. Edwin Denby at all the times hereinafter mentioned was the duly appointed, qualified and acting Secretary of the Navy of the United States of America.

5. Prior to the times mentioned herein, and at all times since, the United States was, and now is, the owner in fee simple of the following described lands, situate in Kern County, California, to wit:

(a) Lots 7, 8, 9, 10, 11, 12, 13 and 14 of section one (1), township thirty-one (31) south, range twenty-four (24) east, also the following described tract:

Beginning at a point twenty-five hundred and fifty (2550) feet easterly and nine hundred (900) feet south of the northwest corner of said section one; thence easterly along a line parallel to the north boundary of said section to a point nine hundred (900) feet west of the east boundary ofsaid section; thence southerly on a line parallel with the east boundary of said section one, to its intersection with the quarter section line of said section; thence westerly along said quarter section line to its intersection with the west boundary of said section; thence northerly along the said west boundary line to a point nineteen hundred and eighty (1980) feet southerly from the northwest corner of said section one; thence easterly twenty-five hundred and fifty (2550) feet on a line parallel with the north boundary line of said section one; thence north to the place of beginning. Comprising four hundred and twenty-one (421) acres, more or less.

(b) Beginning at a point on the west boundary of section one, township thirty-one south, range twenty-four east, Mount Diablo Meridian, nine hundred (900) feet southerly from the northwest corner of said section; thence easterly twenty-five hundred and fifty (2550) feet on a line parallel with the north boundary of said section; thence south ten hundred and eighty (1080) feet; thence westerly on a line parallel with the north boundary of said section to its intersection with the west boundary thereof; thence northerly along said west boundary to the point of beginning. Comprising sixty-three and two-tenths (63.2) acres, more or less.

(c) Beginning at a point eleven hundred and seventy-three)1173) feet south of the northeast corner of section two (2), township thirty-one (31) south, range twenty-four (24) east of the Mount Diablo Meridian; thence southerly along the east boundary line of said section two (2) to the quarter section corner; thence westerly to the quarter section corner on the west boundary line of said section two (2); thence northerly along the western boundary line of said section two (2) to a point eleven hundred and seventy-three (1173) feet south of the northwest corner thereof; thence easterly on a line parallel to the northerly boundary line of said section two (2) to the place of beginning. Containing approximately one hundred and seventy-six and seventy-eight one hundredths (176.78 acres), more or less.

All of said lands were and are a part of the public domain of said United States and contain petroleum and gas in large quantities.

Said lands were included in an executive order of withdrawal, dated September 27, 1909, and were and are a part of Naval Petroleum Reserve No. 1, created by presidential order of September 2, 1912, to be held for the exclusive use and benefit of the United States Navy, until said order is revoked by the President or by Congress, and were and are very valuable for the oil and gas deposits contained therein.

6. By an Act of Congress of the United States, approved June 4, 1920, it was provided:

> That the Secretary of the Navy is directed to take possession of all properties within the naval petroleum reserves as are or may become subject to the control and use by the United States for naval purposes, and on which there are no pending claims or applications for permits or leases under the provisions of an Act of Congress, approved February 25, 1920, entitled "An Act to provide for the mining of coal, phosphate, oil, oil shale, gas and sodium on the public domain", or pending applications for United States patent under any law; to conserve, develop, use and operate the same in his discretion, directly or by contract, lease, or otherwise, and to use, store, exchange or sell the oil and gas products thereof, and those from all royalty oil from lands in the naval reserves, for the benefit of the United States; And provided further, That the rights of any claimant under said Act of February 25, 1920, are not affected adversely thereby; And provided further, That such sums as have been or may be turned into the Treasury of the United States from royalties on lands within the naval petroleum reserves prior to July 1, 1921, not to exceed $500,000, are hereby made available for this purpose until July 1, 1922; Provided further, That this appropriation shall be reimbursed from the proper appropriations on account of the oil and gas products from said properties used by the United States at such rate, not in excess of the market value of the oil, as the Secretary of the Navy may direct.

Said act is unrepealed and unmodified by any subsequent legislation and has at all times since its enactment been in full force and effect.

7. By the terms of said Act, the Secretary of the Navy was directed to take possession, and in pursuance thereof did take possession of all properties within naval petroleum reserves, including the premises herein described, as were or might become subject to the control of and use by the United States for naval purposes, to conserve, develop, use and operate the same in his discretion, directly or by contract, lease or otherwise.

8. On or prior to May 31, 1921, the said Albert B. Fall presented, and caused to be presented, to the President of the United States, a certain Executive Order, bearing date May 31, 1921, a true copy whereof is hereto annexed and made a part hereof, marked "Exhibit A", thereby representing to the President that it was a proper, necessary and legal order, and for the best interests of the government of the United States and the public, which said order was thereupon duly signed by the President, transferring the administration and conservation of the naval petroleum reserves of the United States, including the lands herein described, from the Secretary of the Navy to the Secretary of the Interior, subject to the supervision of the President but providing that no general policy as to drilling or reserving lands located in a naval reserve should be changed or adopted, except upon consultation and in co-operation with the Secretary or Acting Secretary of the Navy, and authorizing and directing the Secretary of the Interior to perform any and all acts necessary for the protection, conservation and administration of said reserves, subject to the conditions and limitations contained in said order, and the existing laws or such laws as may hereafter be enacted by Congress pertaining thereto. Said order was without legal authority and was not a proper or necessary order, or for the best interests of the government of the United States and the public, and was of no force or effect; all of which was known so to

be by the said Albert B. Fall and the said Edward L. Doheny, and the defendant herein, at the time of the things herein complained of. By the terms of said order, it was attempted to transfer and commit to the Secretary of the Interior the duties by said Act of June 4, 1920, imposed by Congress upon the Secretary of the Navy, and under the pretended authority of said order, the said Albert B. Fall, well knowing the premises, took possession of said naval reserves, including the premises herein described, and administered the same, including the premises herein described, as herein set forth.

Subsequent to the making of said order, and prior to November 28, 1921, said Fall and Doheny did combine, confederate and conspire to defraud the United States of America by bringing about the execution and delivery of the leases hereinafter recited for the private gain of said Fall and of the defendant herein, for whom the said Doheny acted in that behalf.

9. Pursuant to, and as a part of said conspiracy and corrupt and unlawful agreement, it was agreed and arranged between said Fall and said Doheny, that said Doheny should pay unto said Fall certain sums of money, and that said Fall should cause to be awarded to The Pan American Petroleum Company certain leases or contracts hereinafter mentioned, and Fall did in fact receive certain rewards from said Doheny, in consideration of his unlawful conduct in the furtherance of said conspiracy, and the said defendant, The Pan American Petroleum Company, did in fact receive certain valuable leases and rights, and among them the leases and rights hereinafter described and set forth.

10. On or about November 30, 1921, in furtherance of the said conspiracy between the said Fall and the said Doheny, the said Doheny did pay unto the said Fall a large sum of money, to-wit, $100,000, lawful money of the United States of America.

11. On December 14, 1921, a certain instrument, designated as "Visalia 010062", was executed by the defendant, The Pan American Petroleum Company, and by E. C. Finney, First Assistant Secretary of

the Interior, under the direction of the said Albert B. Fall, Secretary of the Interior, who assumed to act for and on behalf of the United States of America, by the terms of which said lease the lands described in clause (a), of paragraph 5, were granted to the defendant, together with the exclusive right and privilege to drill for, mine, extract, remove and dispose of all the oil and gas deposits in said premises, and the full enjoyment thereof, for a period of twenty years, with a preferential right in the lease to renew the same for successive periods of ten years.

Notwithstanding it was the duty of the Secretary of the Interior, if he had any authority to lease the said premises, to lease them at the highest royalties obtainable, and to the best advantage of the United States, he without any authority, without advertising, without competition, and without consideration other than the royalties therein provided, privately granted said lease for royalties lower than were given to other lessees for similar lands in said vicinity, and because of the desire of the said Albert B. Fall to favor the said E. L. Doheny and the defendant company, and in pursuance of said agreement and conspiracy, and for the purposes hereinbefore set forth, and in fraud of the United States of America.

Said lease was made under the circumstances aforesaid, and for the further purpose of relieving the Pan American Petroleum Company from the payment of the high royalties, amounting to 33-1/3%, provided for under a certain lease, dated July 12, 1921, which granted to the said The Pan American Petroleum Company, the right to drill fourteen wells on the premises therein described, as a result of competitive bidding on its bid of April 25, 1921. The said The Pan American Petroleum Company, on November 28, 1921, made an application to the Secretary of the Interior to be relieved of said high royalties. Albert B. Fall, acting as such Secretary of the Interior, denied said application but directed the said Assistant Secretary of the Interior, E. C. Finney, to grant in lieu of said relief from said high royalties, a lease to additional lands in said vicinity, at lower royalties, in order thereby to

relieve the defendant from the higher royalties required under said lease of July 12, 1921, and pursuant to said directions, the said Assistant Secretary of the Interior executed and delivered to the defendant herein the said lease dated December 14, 1921, a true copy of which is hereunto attached, marked "Exhibit 5", and made a part hereof.

12. On July 8, 1921, a lease was made by the United States of America, by Albert B. Fall, Secretary of the Interior, to The United Midway Oil Land Company, for the drilling of eight wells, on a tract of 52.70 acres, more or less, in the following described premises:

> "Beginning at the northwest corner of Section 1, Township 31 south, Range 24 east, Mount Diablo Base and Meridian California; thence easterly along the north boundary line of said section 2550 feet; thence south 900 feet; thence westerly on a line parallel with the said north boundary of its intersection with the west boundary line of said section; thence northerly along the said west boundary line to the place of beginning, containing 52.70 acres, more or less."

at royalties amounting to 55-1/2%.

On August 8, 1921, The United Midway Oil Land Company assigned said lease to W. R. Ramsey, which assignment was approved by First Assistant Secretary Finney on that date.

On November 23, 1921, the said W. R. Ramsey filed a written application with Edward C. Finney, Assistant Secretary of the Interior, to be relieved from said high royalties provided for in said lease, which said application was denied by the said Secretary of the Interior Albert B. Fall, but he directed the said Assistant Secretary of the Interior to grant in lieu thereof leases on certain additional lands in said vicinity, at lower rates.

On March 25, 1922, the said W. R. Ramsey assigned said lease to the defendant herein, The Pan American Petroleum Company, which said assignment was approved on April 7, 1922, by E. C. Finney, Assistant Secretary.

On December 14, 1921, a certain instrument, designated as "Visalia 010043", was executed and delivered by E. C. Finney, First

Assistant Secretary of the Interior, under the direction of the said Albert B. Fall, Secretary of the Interior, who assumed to act for and on behalf of the United States of America, to W. R. Ramsey, lessee, by the terms of which said lease the lands described in clause (b) of paragraph 5 hereof were granted to the said W. R. Ramsey, lessee, together with the exclusive right and privilege to drill for, mine, extract, remove and dispose of all the oil and gas deposits in said premises, and the full enjoyment thereof, for a period of twenty years, with a preferential right in the lease to renew the same for successive periods of ten years. A copy of this lease is hereto attached, marked "Exhibit C", and made a part hereof.

On or about the 25th of March, 1922, the said William R. Ramsey assigned said lease to the defendant, The Pan American Petroleum Company, a copy of which said assignment is hereto attached, marked "Exhibit D", and made a part hereof.

Notwithstanding it was the duty of the Secretary of the Interior, if he had any authority to lease said premises last above mentioned, to lease them at the highest royalties obtainable, and to the best advantage of the United States, he without any authority, without advertising, without competition, and without consideration other than the royalties therein provided for, privately granted said lease to the said W. R. Ramsey, and which was thereafter, as aforesaid, duly assigned by the said W. R. Ramsey to The Pan American Petroleum Company, the defendant herein, for royalties lower than were given to other lessees for similar lands in said vicinity, and because of the desire of the said Albert B. Fall to favor the said W. R. Ramsey and the said E. L. Doheny, and the defendant company, and in pursuance of said agreement and conspiracy, and for the purposes herein set forth, and in fraud of the United States, and particularly for the purpose of relieving the said W. R. Ramsey and his assignee, The Pan American Petroleum Company, defendant herein, from the payment of the high royalties, amounting to 55½%, under the said lease dated July 12, 1921, which granted to The United Midway

Oil Land Company the right to drill eight wells on the premises hereinbefore described, as hereinbefore set forth, which said lease was thereafter assigned to one A. R. Lansey, and by him assigned, on March 26, 1922, to The Pan American Petroleum Company.

15. On February 8, 1922, a certain instrument, designated as "Visalia 010027", was executed by the said defendant, The Pan American Petroleum Company, and by E. C. Finney, First Assistant Secretary of the Interior, under the direction of the said Albert B. Fall, Secretary of the Interior, who assumed to act for and on behalf of the United States of America, by the terms of which said lease the lands described in clause (c) of paragraph 5, were granted to the defendant, together with the exclusive right and privilege to drill for, mine, extract, remove and dispose of all the gas and oil deposits in said premises, and the full enjoyment thereof, for a period of twenty years, with the preferential right in the lease to renew the same for successive periods often years for royalties on all oil of thirty degrees (30°) Baume or over, as follows:

On that portion of the average production per well not exceeding twenty barrels per day for the calendar month, 12-1/2%;

On that portion more than twenty barrels per day, and not more than fifty barrels, 16-2/3%;

On that portion more than fifty barrels, and not more

than one hundred barrels, 20%;

On that portion more than one hundred barrels, 25%; and for all oil producing less than thirty degrees (30°) Baume;

On that portion thereof not exceeding twenty barrels per day, 12-1/2%;

On that portion more than twenty barrels, and not more than fifty barrels, 14-2/7%;

On that portion more than fifty barrels, and not more than one hundred barrels, 16-2/3%;

On that portion more than one hundred barrels, 20%.

Notwithstanding it was the duty of the Secretary of the Interior, if he had any authority to lease the said premises, to lease them at the highest royalties obtainable, and to the best advantage of the United States, he without any authority, without advertising, without competition, and without consideration other than the royalties therein provided, privately granted said lease for royalties lower than were given to other lessees for similar lands in said vicinity, and because of the desire of the said Albert B. Fall to favor said E. L. Doheny and the defendant company, and in pursuance of said agreement and conspiracy, and for the purpose hereinbefore set forth, and in fraud of the United States of America.

Said lease was made under the circumstances aforesaid, and for the pretended consideration of the delivery by the defendant company of a quit-claim deed executed on or about the 30th day of December, 1921, by R. J. White and Lenora C. White to the United States of America of a certain pretended Fuller's earth mineral claim, covering Section 2, Township 31, South, Range 34 East, M.D.B.M., in said County of Kern, and the following placer mining claims, namely Red Top Nos. 1, 2, 3 and 4, located in said section, which said exchange of said quit-claim deed for said lease was wholly without authority, and for the purposes aforesaid.

And said lease was made for the further purpose of relieving the said defendant company from the higher royalties provided for in a certain other lease dated February 8, 1922, granted to the said Pan American Petroleum Company, as the result of competitive bidding for the drilling of eighteen wells on the north side of Section 2, Township 31 S., R. 24 E., Naval Reserve No. 1, California, wherein The Pan American Petroleum Company agreed to give a royalty of thirty-five per cent (35%) for the amount of oil produced in said wells over fifty barrels, and on production per well under fifty barrels, the sliding scale of royalties. A copy of said lease designated "Visalia 010097", dated February 8, 1922, is hereto attached, marked "Exhibit E", and made a part hereof.

14. On or about the 24th day of May, 1922, The Pan American Petroleum & Transport Company, for convenience of administration, requested the Secretary of the Interior to consolidate the three leases hereinbefore referred to into one lease. Thereafter, to wit, on or about the 28th day of July, 1922, the United States of America, only for the purpose aforesaid, and without any further or other consideration, executed and delivered to the defendant company its certain consolidated lease as aforesaid, a copy of which is hereunto attached, marked "Exhibit F", and made a part hereof.

15. Neither the said Albert B. Fall, as Secretary of the Interior, or otherwise, or the said E. C. Finney, as First Assistant Secretary of the Interior, or otherwise, had any power or authority under said Act of Congress, or under said Executive Order, or otherwise, to grant or execute said leases or any of them. Said purported leases were void and inoperative to grant to the defendant, The Pan American Petroleum Company, or any of said lessees, any right, title or interest in or to said lands.

16. Under color of said leases, the said defendant, The Pan American Petroleum Company, and its officers, agents and servants, on and after the dates of said several leases, entered upon the said land, hereinbefore designated, and ever since have been and are trespassing upon them, and drilled wells until restrained from so doing by order of the court herein, and have extracted, taken and received crude oil and gas therefrom and continue to extract therefrom oil and gas, and thereby have wasted, and are continuing to waste the government's said lands and minerals, and have been and are continuing to destroy and injure said lands and minerals as a naval petroleum reserve, and thereby have defrauded, and continue to defraud the United States of America thereby, and will continue to trespass upon said lands unless and until restrained by your Honorable Court, and the said continuance of said trespasses and operations will work great and irreparable damage to the plaintiff, unless restrained.

17. Said leases were obtained as the result of the corrupt and unlawful conspiracy aforesaid, and of the giving of the money aforesaid, and were and are a fraud upon the United States of America, are illegal, null, void and of no force or validity, by reason of the matters and things hereinbefore more fully set forth, and for the further reason that the same were executed without authority by the officers of the United States, who purported to execute them, and were wholly unauthorized by law or by any statute, and should be delivered up to the United States to be cancelled.

Defendant should cease to trespass upon said lands; said leases constitute a cloud upon the title of the United States and should be cancelled, and the defendant should make recovery of all of the oil and gas received by it or for its account, under each of said leases, and the defendant should render to plaintiff a full, true and accurate account of all oils and gas received by it under the terms of said leases, and of all matters and things and all items of account, showing each transaction under said leases from the dates thereof, respectively.

18. Said leases, and each of them, are unlawful and void for the further reasons that they transfer the administration of the lands therein described from the Secretary of the Navy to the Secretary of the Interior, and authorize the Secretary of the Interior to fix the price of gas and casing-head gas, and to sell or dispose of the oil and gas in accordance with the sales contract or other method first approved by the Secretary of the Interior, and permit the lessee to assign said lease, with the consent of the Secretary of the Interior, and further authorizes him to give his consent to surrender and terminate the said lease.

19. WHEREFORE, plaintiff is without an adequate remedy at law, in that there is no remedy at law as complete, practicable and efficient, to the end of the prompt administration of justice as the remedy in equity, and the intervention of a court of equity will prevent a multiplicity of suits.

Plaintiff therefore prays --

1. That your Honorable Court will grant a writ of injunction temporarily, until final hearing, and perpetually thereafter enjoin and restrain the defendant, its officers, servants, agents and employees, from further drilling wells or operating under said leases, and each of them, or performing further work of any sort thereunder.

2. That your Honorable Court will appoint a receiver to take possession and control of the lands in the bill described, and all property thereon situate, and of all oil and gas thereon produced, and under the order of the court to sell and turn to account the same, and hold and store the same, or safely hold the proceeds thereof pending the final termination of this cause, and until the further order of the court.

3. That your Honorable Court grant a final injunction directed to the defendants, and each of them, their officers, agents, servants and employes, enjoining and commanding them, and each of them, to cease from further trespassing upon the lands described in this bill, and to cease to harass and molest the plaintiff in the quiet and peaceable enjoyment thereof.

4. That your Honorable Court enter a decree declaring the said leases set forth in the bill to be null, void, and of no effect.

5. That your Honorable Court enter a decree upon final hearing, enjoining and commanding the defendant, their officers, directors, servants, agents and employes to surrender and deliver the said leases to the proper officer of the United States of America to be cancelled, and quiet the title of the United States of America to said premises.

6. That your Honorable Court will enter a decree that said defendant, its officers and directors, servants, agents and employes, be required to make full, just, true and complete account for all oil and gas produced and converted to their use, and for any waste committed by them, and that judgment may be rendered against the defendant for the amount shown to be due by it to the United States of America by said accounting.

7. And for all such other and further relief as to your Honorable Court will seem meet in the premises.

Owen J. Roberts and

Atlee Pomerene
Assistants to the Attorney General.

State of Ohio, (
) ss:
Cuyahoga County, (

Before the undersigned authority, personally appeared ATLEE POMERENE, who being duly sworn, deposes and says that he is one of the assistants to the Attorney General, and one of the solicitors for the plaintiff, and that he has read the foregoing amended bill of complaint, and knows its contents, and that so far as the matters therein stated are of his own knowledge, the same are true, and that as to all other matters therein stated, the same are true to the best of his knowledge, information and belief.

Atlee Pomerene

Sworn to and subscribed before me, this 1st day of June, A. D. 1927.

Frank Harrison
Notary Public

State of Pennsylvania, (
) SS:
County of Philadelphia. (

Before the undersigned authority, personally appeared OWEN J. ROBERTS, who being duly sworn, deposes and says that he is one of the assistants to the Attorney General, and one of the solicitors for the plaintiff, and that he has read the foregoing amended bill of complaint, and knows its contents, and that so far as the matters therein stated are of his own knowledge, the same are true, and that as to all other matters therein stated, the same are true to the best of his knowledge, information and belief.

Owen J. Roberts

Sworn to and subscribed before me, this 16 day of June, A. D. 1927.

Amelia Sydore
Notary Public.

EXHIBIT A.

Executive Order

Under the provisions of the Act of Congress approved February 25, 1920 (41 Stat. 437), authorizing the Secretary of the Interior to lease producing oil wells within any naval petroleum reserve; authorizing the President to permit the drilling of additional wells or to lease the remainder or any part of a claim upon which such wells have been drilled, and under authority of the act of Congress approved June 4, 1920 (41 Stat. 912), directing the Secretary of the Navy to conserve, develop, use, and operate, directly or by contract, lease, or otherwise, unappropriated lands in naval reserves, the administration, and conservation, of all oil and gas bearing lands in naval petroleum reserves Nos. 1 and 2, California, and naval petroleum reserves No. 3 in Wyoming and naval shale reserves in Colorado and Utah, are hereby committed to the Secretary of the Interior subject to the supervision of the President but no general policy as to drilling or reserving lands located in a naval reserve shall be changed or adopted except upon consultation and in cooperation with the Secretary or Acting Secretary of the Navy. The Secretary of the Interior is authorized and directed to perform any and all acts necessary for the protection, conservation, and administration of the said reserves subject to the conditions and limitations contained in this order and the existing laws or such laws as may hereafter be enacted by Congress pertaining thereto.

WARREN G. HARDING.

The White House, May 31, 1921.
Copy sent: Mr. Mendenhall, Survey. Comr. G.L.O.
Director, Mines.

EXHIBIT B.

DEPARTMENT OF THE INTERIOR

General Land Office

Serial 010042 - Visalia

Lease of Oil and Gas Lands Under the Act of June 4, 1920.

THIS INDENTURE OF LEASE, entered into, in triplicate, as of the 14th day of December, A. D., 1921, by and between the UNITED STATES OF AMERICA, party of the first part, hereinafter called the lessor, acting in this behalf by the Secretary of the Interior, and the

PAN-AMERICAN PETROLEUM COMPANY

a corporation organized and existing under and by virtue of the laws of the State of California, party of the second part, hereinafter called the lessee, under, pursuant, and subject to the terms and provisions of the Act of Congress approved June 4, 1920 (41 Stat., 812), entitled "An Act Making Appropriations for the naval service for the fiscal year ending June 30, 1921, and for other purposes," and Executive Order of May 31, 1921, committing to the Secretary of the Interior the administration of the Naval Petroleum and Naval Shale Reserves, WITNESSETH:

SEC. 1. Purposes. -- That the lessor in consideration of rents and royalties to be paid, and the covenants to be observed as herein set forth, does hereby grant and lease to the lessee the exclusive right and privilege to drill for, mine, extract, remove, and dispose of all the oil and gas deposits in or under the following described tract of land situated in the County of Kern, State of California, and more particularly described as follows:

Lots seven (7), eight (8), nine (9), ten (10), eleven (11), twelve (12), thirteen (13) and fourteen (14) of Section one (1), township thirty-one (31) south, range twenty-four (24) east, also the following described tract:

Beginning at a point 2560 feet easterly and 900 feet south of the northwest corner of said section one; thence easterly along a line parallel to the north boundary of said section to a point 900 feet west of the east boundary of said section; thence southerly on a line parallel with the east boundary of said section one to its intersection with the quarter section line of said section; thence westerly along said quarter section line to its intersection with the west boundary of the said section; thence northerly along the said west boundary line to a point 1980 feet southerly from the northwest corner of said section one; thence easterly2560 feet on a line parallel with the north boundary line of said section one; thence north to the place of beginning, comprising 421 acres, more or less, together with the right to construct and main-

tain thereupon all works, buildings, plants, waterways, roads, telegraph or telephone lines, pipe lines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, for a period of twenty (20) years, with the preferential right in the lessee to renew this lease for successive periods of ten (10) years, upon such reasonable terms and conditions as may be prescribed by the lessor, unless otherwise provided by law at the time of the expiration of such periods.

SEC. 2. In consideration of the foregoing, the lessee hereby agrees:

(a) Bond. -- To furnish a bond with approved corporate surety in the penal sum of $5,000, conditioned upon compliance with the terms of the lease.

(b) Wells. -- Lessee agrees to start drilling one well within ninety days from date hereof and to continue drilling operations with diligence and in good faith until the first shall be completed in the producing oil stratum. If within ninety days after the completion of any well and before the leased area is completely drilled lessee does not commence drilling operations on a new well, and continue such operations with diligence and in good faith until such new well has been completed, then lessee agrees upon demand of the Secretary of the Interior to surrender and relinquish the undeveloped area of the leased land. If any part of the leased land is so surrendered, lessor agrees not to permit drilling on such surrendered area within 600 feet of any well owned and operated by lessee under this lease.

One well for each ten acres of the leased land economically spaced shall be considered sufficient to fully develop the leased area.

(c) Royalty and Rents. -- To pay the lessor in advance, beginning with the date of the execution of this lease, a rental of one dollar per acre per annum during the continuance hereof, the rental so paid for any one year to be credited on the royalty for that year, together with a royalty on all oil and gas produced from the land leased herein (except oil or gas used for production purposes on said land or unavoidably lost), as follows:-

(1) For all oil produced of 30° Baume or over:

On that portion of the average production per well not exceeding 20 barrels per day for the calendar month	12 1/2 percent
On that portion of the average production per well of more than 20 barrels and not more than 50 barrels per day for the calendar month	16 2/3 percent
On that portion of the average production per well of more than 50 barrels and not more than 100 barrels per day for the calendar month	20 percent
On that portion of the average production per well of more than 100 barrels per day for the calendar month	25 percent

(2) For all oil produced of less than 30° Baume:

On that portion of the average production per well not exceeding 20 barrels per day for the calendar month	12 1/2 percent
On that portion of the average production per well of more than 20 barrels and not more than 50 barrels per day for the calendar month	14 2/7 percent
On that portion of the average production per well of more than 50 barrels and not more than 100 barrels per day for the calendar month	16 2/3 percent
On that portion of the average production per well of more than 100 barrels per day for the calendar month	20 percent.

Only wells which have a commercial production during at least part of the month shall be considered in ascertaining the average production above provided for; and the Secretary of the Interior shall determine what are commercially productive wells under this provision.

(3) On gas and casing-head gasoline:

On gas, whether same shall be gas from which the casing-head gasoline has been extracted or otherwise, 12½ per cent of the value thereof in the field where produced where the average production per day for the calendar month from the land leased is less than 3,000,000 cubic feet, and 16 2/3 per cent where the average daily production is 3,000,000 cubic feet or over.

On casing-head gasoline, 16 2/3 per cent of the value of the casing-head gasoline extracted from the gas produced and sold, computed on the basis provided for in the operating regulations.

The value in the field where produced, of gas and casing-head gasoline, for royalty purposes, unless such gas or casing-head gasoline is disposed of under an approved sales contract or other method as provided in subdivision (d) of this section, shall be as fixed by the Secretary of the Interior.

In cases where the gas produced and sold has a value both for casing-head gasoline content and as dry gas from which the casing-head gasoline has been extracted, then the royalties above provided shall be paid on both of such values.

When paid in value, such royalties shall be due and payable monthly on the 15th of each calendar month following the calendar month in which produced, to the Receiver of Public Moneys of the land district in which the land is situated; when paid in kind, such royalty oil shall be delivered in tanks provided by the lessee on the premises

where produced, unless otherwise agreed to by the parties hereto, at such times as may be required by the lessor; Provided, that the lessee shall not be required to hold such royalty oil in storage longer than thirty days after the end of the calendar month in which said oil is produced; And provided further, That the said lessee shall be in no manner responsible or held liable for the loss or destruction of such oil in storage from causes over which the lessee has no control; such royalties, whether in value or kind, shall be subject to reduction whenever the average daily production of any oil well shall not exceed ten (10) barrels per day; if in the judgment of the lessor the wells can not be successfully operated upon the royalties fixed herein.

(d) Sales contracts. -- To file with the Secretary of the Interior copies of all sales contracts for the disposition of oil and gas produced hereunder except for production purposes on the land leased, and in the event the United States shall elect to take its royalties in money instead of in oil or gas, not to sell or otherwise dispose of the products of the land leased except in accordance with a sales contract or other method first approved by the Secretary of the Interior.

(e) Monthly statements. -- To furnish monthly statements in detail in such form as may be prescribed by the lessor, showing the amount, quality, and value of all oil and gas produced and saved during the preceding calendar month as the basis for computing the royalty due the lessor. The leased premises and all wells, improvements, machinery, and fixtures thereon or connected therewith and all books and accounts of the lessee shall be open at all times for the inspection of any duly authorized officer of the department.

(f) Plats and reports. -- To furnish annually and at such times as the Secretary shall require, in the manner and form prescribed by the Secretary of the Interior, a plat showing all development work and improvements on the leased lands, and other related information, with a report as to all buildings, structures, or other works placed in or upon said leased lands, accompanied by a report in detail as to the stockholders, investment, depreciation, and cost of operation, together with a statement as to the amount and grade of oil and gas produced and sold, and the amount received therefor by operations hereunder.

(g) Log of wells. -- To keep a log in the form prescribed by the Secretary of all the wells drilled by the lessee, showing the strata and character of the ground passed through by the drill, which log, or copy thereof, shall be furnished to said lessor on demand.

(h) Diligence - Prevention of waste - Health and safety of workmen. -- To exercise reasonable diligence in drilling and operating wells for the oil and gas on the lands covered hereby, while such products can be secured in paying quantities, unless consent to suspend operations temporarily is granted by the Secretary of the Interior; to carry on all operations hereunder in a good and workmanlike manner in accordance with approved methods and practice, having due regard for the prevention of waste of oil or gas developed on the land, or the entrance of water through wells drilled by the lessee to the oil sands or oil-bearing strata to the destruction or injury of the oil deposits, the preservation and conservation of the property for future productive operations, and to the health and safety of workmen and employees; to plug securely any well before abandoning the same so as to effectually shut off all water from the oil or gas bearing strata; not to drill any well within 200 feet of any of the outer boundaries of the lands covered hereby; unless the adjoining lands have been patented or the title thereto otherwise vested in private owners; to conduct all

mining, drilling, and related productive operations subject to the inspection of the lessor; to carry out at expense of the lessee all reasonable orders and requirements of lessor relative to prevention of waste, and preservation of the property and the health and safety of workmen, and on failure so to do the lessor shall have the right to enter on the property to repair damage or prevent waste at the lessee's cost; to abide by and conform to regulations in force at the time the lease is granted covering the matters referred to in this paragraph: Provided, That the lessee shall not be held responsible for delays or casualties occasioned by causes beyond lessee's control. The regulations herein referred to are the "Operating Regulations to Govern the Production of Oil and Gas under the act of February 25, 1920," and General Land Office Cir. 672 in so far as applicable.

(i) Taxes and wages - Freedom of purchase. -- To pay when due, all taxes lawfully assessed and levied under the laws of the State upon improvements, oil, and gas produced from the lands hereunder, or other rights, property, or assets of the lessee; to accord all workmen and employees complete freedom of purchase, and to pay all wages due workmen and employees at least twice each month in the lawful money of the United States.

(j) Reserved deposits. -- To comply with all statutory requirements and regulations thereunder, if the lands embraced herein have been or shall hereafter be disposed of under the laws reserving to the United States the deposits of oil and gas therein, subject to such conditions as are or may hereafter be provided by the laws reserving such oil or gas.

(k) Assignment of lease. -- Not to assign this lease or any interest therein, nor sublet any portion of the leased premises, except with the consent in writing of the Secretary of the Interior first had and obtained.

(l) Deliver premises in cases of forfeiture. -- To deliver up the premises leased, with all permanent improvements thereon, in good order and condition in case of forfeiture of this lease; but this shall not be construed to prevent the removal, alteration, or renewal of equipment and improvements in the ordinary course of operations.

SEC. 3. The lessor expressly reserves:

(a) Rights reserved - Easements and rights of way. -- The right to permit for joint or several use easements or rights of way, including easements in tunnels upon, through, or in the lands leased, occupied, or used as may be necessary or appropriate to the working of the same or of other lands containing the deposits described in said act, and the treatment and shipment of products thereof by or under authority of the Government, its lessees or permittees, and for other public purposes.

(b) Disposition of surface. -- The right to lease, sell, or otherwise dispose of the surface of the lands embraced within this lease under existing law or laws hereafter enacted, in so far as said surface is not necessary for the use of the lessee in the extraction and removal of the oil and gas therein.

(c) Pipe lines to convey at reasonable rates. -- The right to require the lessee, his assignees or beneficiary, if owner or operator of, or owner of a controlling interest in, any pipe line, or any company operating the same which may be operated accessible to the oil derived from lands under such lease, to accept and convey at reasonable rates and without discrimination the oil of the Government or of any citizen or company, not the owner of any pipe line, operating a lease or purchasing oil or gas under the provisions of this act.

(d) Monopoly and fair prices. -- Full power and authority to carry out and enforce all the provisions of section 30 of the act to insure the sale of the production of such leased lands to the United States and to the public at reasonable prices, to prevent monopoly, and to safeguard the public welfare.

(e) Helium. The lessor reserves the right to take all helium from any gas produced under this lease, but the lessee shall not be required to extract and save the helium for the lessor; in case the lessor elects to take the helium, the lessee shall deliver all gas containing same, or portion thereof desired, to the lessor in the manner required by the lessor, for the extraction of the helium in such plant or reduction works for that purpose as the lessor may provide, whereupon the residue shall be returned to the lessee with no substantial delay in the delivery of gas produced from the well to the purchaser thereof: Provided, That the lessee shall not, as a result of the operation in this section provided for, suffer a diminution of value of the gas from which the helium has been extracted, or loss otherwise, for which the lessee is not reasonably compensated, save for the value of the helium extracted; the lessor further reserves the right to erect, maintain, and operate any and all reduction works and other equipment necessary for the extraction of helium on the premises leased.

SEC. 4. Surrender and termination of lease. -- The lessee may, on consent of the Secretary of the Interior first had and obtained in writing, surrender and terminate this lease upon payment of all rents, royalties, and other obligations due and payable to the lessor, and upon payment of all wages and moneys due and payable to the workmen employed by the lessee, and upon a satisfactory showing to the Secretary that the public interest will not be impaired; but in no case shall such termination be effective until the lessee shall have made full provision for conservation and protection of the property; upon like consent had and obtained the lessee may surrender any legal subdivisions of the area included herein.

SEC. 5. Purchase of materials, etc., on termination of lease. -- Upon the expiration of this lease, or the earlier termination thereof pursuant to the last preceding section, the lessor or another lessee may, if the lessor shall so elect within six months from the termination of the lease, purchase all materials, tools, machinery, appliances, structures and equipment placed in or upon the land by the lessee, and in use thereon as a necessary or useful part of an operating or producing plant, on the payment to the lessee of such sum as may be fixed as a reasonable price therefor by a board of three appraisers, one of whom shall be chosen by the lessor, one by the lessee, and the other by the two so chosen; pending such election all equipment shall remain in normal position. If the lessor, or another lessee, shall not within six months, elect to purchase all or any part of such materials, tools, machinery, appliances, structures, and equipment, the lessee shall have the right at any time, within ninety days, to remove from the premises all the materials, tools, machinery, appliances, structures, and equipment which the lessor shall not have elected to purchase, save and except casing in wells and other equipment or apparatus necessary for the preservation of the well or wells.

SEC. 6. Judicial proceedings in case of default. -- If the lessee shall make default in the performance or observance of any of the terms, covenants, and stipulations hereof, or of the general regulations promulgated and in force at the date hereof and referred to in paragraph (h) of Sec. 2 hereof, and such default shall continue after service of written notice thereof by the lessor, then the lessor may institute appropriate judicial proceedings for the forfeiture and cancellation of this lease, but this provision shall not be construed to prevent the exercise by the lessor of any legal or equitable remedy which the lessor might otherwise have. A waiver of any particular cause of forfeiture shall not prevent the cancellation and forfeiture

of this lease for any other cause of forfeiture, or for the same cause occurring at any other time.

It is hereby specially covenanted and agreed that upon failure of the lessee faithfully to fulfill all or any of its obligations set out in paragraph (b) of section 2 hereof, this lease may be terminated by the lessor in whole or in part, after 30 days notice, without the necessity of resorting to court proceedings, upon such terms and conditions as may be found equitable and just by the Secretary of the Interior.

SEC. 7. Heirs and successors in interest. -- It is further covenanted and agreed that each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors of, or assigns of the respective parties hereto.

SEC. 8. Unlawful interest. -- It is also further agreed that no member of or delegate to Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified, and during his continuance in office, and that no officer, agent, or employee of the Department of the Interior, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of section 3741 of the Revised Statutes of the United States, and sections 114, 115 and 116 of the Codification of the Penal Laws of the United States approved March 4, 1909 (35 Stat., 1109), relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

In witness whereof

THE UNITED STATES OF AMERICA

By E. C. Finney
First Assistant Secretary of the Interior.

Witness to signature of

PAN-AMERICAN PETROLEUM COMPANY

L. L. Eddy

By Jos. J. Cotter

EXHIBIT C.

DEPARTMENT OF THE INTERIOR

General Land Office

Serial - C10043-Visalia

Lease of Oil and Gas Lands Under the Act of June 4, 1920.

THIS INDENTURE OF LEASE, entered into, in triplicate, as of the 14th day of December, 1921, by and between the UNITED STATES OF AMERICA, party of the first part, hereinafter called the lessor, acting in this behalf by the Secretary of the Interior, and

W. R. RAMSEY,

party of the second part, hereinafter called the lessee, under, pursuant and subject to the terms and provisions of the Act of Congress approved June 4, 1920 (41 Stat., 812), entitled "An Act Making Appropriations for the naval service for the fiscal year ending June 30, 1921 and for other purposes," and Executive Order of May 31, 1921, committing to the Secretary of the Interior the administration of the Naval Petroleum and Naval Shale Reserves, WITNESSETH:

Section 1. Purposes. -- That the lessor in consideration of rents and royalties to be paid, and the covenants to be observed as herein set forth, does hereby grant and lease to the lessee the exclusive right andprivilege to drill for, mine, extract, remove, and dispose of all the oil and gas deposits in or under the following described tract of land situated in the County of Kern, California, and more particularly described as follows:

Beginning at a point on the west boundary of section one (1), township thirty-one (31) south, range twenty-four (24) east, Mount Diablo Meridian, 900 feet southerly from the northwest corner of said section; thence easterly 2550 feet on a line parallel with the north boundary of said section; thence south 1080 feet; thence westerly on a line parallel with the north boundary of said section to its intersection with the west boundary thereof; thence northerly

along said west boundary line to the point of beginning; comprising 63.2 acres, more or less.

Serial ________

together with the right to construct and maintain thereupon all works, buildings, plants, waterways, roads, telegraph or telephone lines, pipe lines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, for a period of twenty (20) years, with the preferential right in the lessee to renew this lease for successive periods of ten (10) years, upon such reasonable terms and conditions as may be prescribed by the lessor, unless otherwise provided for by law at the time of the expiration of such periods.

Section 2. In consideration of the foregoing, the lessee hereby agrees:

(a) Bond. -- To furnish a bond with approved corporate surety in the penal sum of $5,000 conditioned upon compliance with the terms of the lease.

(b) Wells. -- Lessee agrees to start drilling one well within ninety days from date hereof and to continue drilling operations with diligence and in good faith until the completion of the first well in the oil stratum, and if within ninety days after the completion of any well and before the completion of eight wells, lessee does not commence drilling operations on a new well and continue such operations to completion of such new well, lessee agrees upon demand of the Secretary of the Interior to surrender and relinquish the undeveloped area of the leased land. If any part of the leased land is so surrendered lessor agrees not to permit drilling on said surrendered land within 600 feet of any well owned and operated by lessee under this lease.

Eight completed wells shall be considered as sufficient to fully develop the leased acres.

(c) Royalty and Rents. -- To pay the lessor in advance, beginning with the date of the execution of this lease, a rental of one dollar per acre per annum during the continuance hereof, the

rental so paid for any one year to be credited on the royalty for that year, together with a royalty on all oil and gas produced from the land leased herein (except oil or gas used for production purposes on said land or unavoidably lost), as follows:

(1) For all oil produced of 30° Baume or over:

On that portion of the average production per well not exceeding 20 barrels per day for the calendar month .. 12½%

On that portion of the average production per well of more than 20 barrels and not more than 50 barrels per day for the calendar month 16-2/3%

On that portion of the average production per well of more than 50 barrels and not more than 100 barrels per day for the calendar month 20%

On that portion of the average production per well of more than 100 barrels per day for the calendar month.. 25%

(2) For all oil produced of less than 30° Baume:

On that portion of the average production per well not exceeding 20 barrels per day for the calendar month .. 12½%

On that portion of the average production per well of more than 20 barrels and not mre than 50 barrels per day for the calendar month 14-2/7%

On that portion of the average production per well of more than 50 barrels and not more than 100 barrels per day for the calendar month 16-2/3%

On that portion of the average production per well of more than 100 barrels per day for the calendar month . 20%

Only wells which have a commercial production during at least part of the month shall be considered in ascertaining the average production above provided for; and the Secretary of the Interior shall determine what are commercially productive wells under this provision.

(3) On gas and casing-head gasoline:

On gas, whether same shall be gas from which the casing-head gasoline has been extracted or otherwise, 12½% of the value thereof in the field where produced where the average production per day for the calendar month from the land leased is less than 3,000,000 cubic feet, and 16-2/3 per cent where the average daily production is 3,000,000 cubic feet or over.

On casing-head gasoline, 16-2/3% of the value of the casing-head

gasoline extracted from the gas produced and sold, computed on the basis provided for in the operating regulations.

The value in the field where produced, of gas and casing-head gasoline, for royalty purposes, unless such gas or casing-head gasoline is disposed of under an approved sales contract or other method as provided in subdivision (d) of this section shall be as fixed by the Secretary of the Interior.

In cases where the gas produced and sold has a value both for casing-head gasoline content and as dry gas from which the casing-head gasoline has been extracted, then the royalties above provided shall be paid on both of such values.

When paid in value, such royalties shall be due and payable monthly on the 15th of each calendar month following the calendar month in which produced, to the Receiver of Public Moneys of the land district in which the land is situated; when paid in kind, such royalty oil shall be delivered in tanks provided by the lessee on the premises where produced, unless otherwise agreed to by the parties hereto, at such times as may be required by the lessor: Provided, that the lessee shall not be required to hold such royalty oil in storage longer than thirty days after the end of the calendar month in which said oil is produced: And provided further, That the said lessee shall be in no manner responsible or held liable for the loss or destruction of such oil in storage from causes over which the lessee has no control; such royalties, whether in value or kind, shall be subject to reduction whenever the average daily production of any oil well shall not exceed ten (10) barrels per day, if in the judgment of the lessor the wells can not be successfully operated upon the royalties fixed herein.

(d) Sales contracts. - To file with the Secretary of the Interior copies of all sales contracts for the disposition of oil and gas produced hereunder except for production purposes on the land leased, and in the event the United States shall elect to take its royalties

in money instead of in oil or gas, not to sell or otherwise dispose of the products of the land leased except in accordance with a sales contract or other method first approved by the Secretary of the Interior.

(e) Monthly statements. - To furnish monthly statements in detail in such form as may be prescribed by the lessor, showing the amount, quality, and value of all oil and gas produced and saved during the preceding calendar month as the basis for computing the royalty due the lessor. The leased premises and all wells, improvements, machinery, and fixtures thereon or connected therewith and all books and accounts of the lessee shall be open at all times for the inspection of any duly authorized officer of the department.

(f) Plats and reports. - To furnish annually and at such times as the Secretary shall require, in the manner and form prescribed by the Secretary of the Interior, a plat showing all development work and improvements on the leased lands, and other related information, with a report as to all buildings, structures, or other works placed in or upon said leased lands, accompanied by a report in detail as to the stockholders, investment, depreciation, and cost of operation, together with a statement as to the amount and grade of oil and gas produced and sold, and the amount received therefor by operations hereunder.

(g) Log of wells. - To keep a log in the form prescribed by the Secretary of all the wells drilled by the lessee, showing the strata and character of the ground passed through by the drill, which log, or copy thereof, shall be furnished to said lessor on demand.

(h) Diligence - Prevention of waste - Health and safety of workmen. - To exercise reasonable diligence in drilling and operating wells for the oil and gas on the lands covered hereby, while such products can be secured in paying quantities, unless consent to suspend operations temporarily is granted by the Secretary of the Interior; to carry on all operations hereunder in a good and workmanlike manner in accordance with approved methods and practice, having due regard for

the prevention of waste of oil or gas developed on the land, or the entrance of water through wells drilled by the lessee to the oil sands or oil-bearing strata to the destruction or injury of the oil deposits, the preservation and conservation of the property for future productive operations, and to the health and safety of workmen and employees; to plug securely any well before abandoning the same so as to effectually shut off all water from the oil or gas bearing strata; not to drill any well within 200 feet of any of the outer boundaries of the lands covered hereby, unless the adjoining lands have been patented or the title thereto otherwise vested in private owners; to conduct all mining, drilling, and related productive operations subject to the inspection of the lessor; to carry out at expense of the lessee all reasonable orders and requirements of lessor relative to prevention of waste, and preservation of the property and the health and safety of workmen, and on failure so to do the lessor shall have the right to enter on the property to repair damage or prevent waste at the lessee's cost; to abide by and conform to regulations in force at the time the lease is granted covering the matters referred to in this paragraph; Provided, that the lessee shall not be held responsible for delays or casualties occasioned by causes beyond lessee's control.

The regulations herein referred to are the "Operating Regulations to Govern the Production of Oil and Gas under the Act of February 25, 1920, and General Land Office Cir. 672 in so far as applicable.

(i) Taxes and wages - Freedom of purchase. - To pay when due, all taxes lawfully assessed and levied under the laws of the State upon improvements, oil, and gas produced from the lands hereunder, or other rights, property, or assets of the lessee; to accord all workmen and employees complete freedom of purchase, and to pay all wages due workmen and employees at least twice each month in the lawful money of the United States.

(j) Reserved deposits. - To comply with all statutory requirements and regulations thereunder, if the lands embraced herein

have been or shall hereafter be disposed of under the laws reserving to the United States the deposits of oil and gas therein, subject to such conditions as are or may hereafter be provided by the laws reserving such oil or gas.

(h) Assignment of lease. - Not to assign this lease or any interest therein, nor sublet any portion of the leased premises, except with the consent in writing of the Secretary of the Interior first had and obtained.

(i) Deliver premises in cases of forfeiture. - To deliver up the premises leased, with all permanent improvements thereon, in good order and condition in case of forfeiture of this lease, but this shall not be construed to prevent the removal, alteration, or renewal of equipment and improvements in the ordinary course of operations.

Sec. 3. The lessor expressly reserves:

(a) Rights reserved - Easements and rights of way. - The right to permit for joint or several use easements or rights of way, including easements in tunnels upon, through, or in the lands leased, occupied or used as may be necessary or appropriate to the working of the same or of other lands containing the deposits described in said act, and the treatment and shipment of products thereof by or under authority of the Government, its lessees or permittees, and for other public purposes.

(b) Disposition of surface. - The right to lease, sell, or otherwise dispose of the surface of the lands embraced within this lease under existing law or laws hereafter enacted, in so far as said surface is not necessary for the use of the lessee in the extraction and removal of the oil and gas therein.

(c) Pipe lines to convey at reasonable rates. - The right to require the lessee, his assignees or beneficiary, if owner or operator of, or owner of a controlling interest, in, any pipe line, or any company operating the same which may be operated accessible to the oil derived from lands under such lease, to accept and convey at reasonable rates and without discrimination the oil of the Government or

of any citizen or company, not the owner of any pipe line, operating a lease or purchasing oil or gas under the provisions of this act.

(d) Monopoly and fair prices. -- Full power and authority to carry out and enforce all the provisions of section 30 of the act to insure the sale of the production of such leased lands to the United States and to the public at reasonable prices, to prevent monopoly, and to safeguard the public welfare.

(e) Helium. - The lessor reserves the right to take all helium from any gas produced under this lease, but the lessee shall not be required to extract and save the helium for the lessor; in case the lessor elects to take the helium, the lessee shall deliver all gas containing same, or portion thereof desired, to the lessor in the manner required by the lessor, for the extraction of the helium in such plant or reduction works for that purpose as the lessor may provide whereupon the residue shall be returned to the lessee with no substantial delay in the delivery of gas produced from the well to the purchaser thereof; Provided, that the lessee shall not, as a result of the operation in this section provided for, suffer a diminution of value of the gas from which the helium has been extracted, or loss otherwise, for which the lessee is not reasonably compensated, save for the value of the helium extracted; the lessor further reserves the right to erect, maintain, and operate any and all reduction works and other equipment necessary for the extraction of helium on the premises leased.

Sec. 4. Surrender and termination of lease. -- The lessee may, on consent of the Secretary of the Interior first had and obtained in writing, surrender and terminate this lease upon payment of all rents, royalties, and other obligations due and payable to the lessor, and upon payment of all wages and moneys due and payable to the workmen employed by the lessee, and upon a satisfactory showing to the Secretary that the public interest will not be impaired; but in no case shall such termination be effective until the lessee shall have made full provision for conservation and protection of the pro-

perty; upon like consent had and obtained the lessee may surrender any legal subdivision of the area included herein.

Section 5. Purchase of materials, etc., on termination of lease. -- Upon the expiration of this lease, or the earlier termination thereof pursuant to the last preceding section, the lessor or another lessee may, if the lessor shall so elect within six months from the termination of the lease, purchase all materials, tools, machinery, appliances, structures, and equipment placed in or upon the land by the lessee, and in use thereon as a necessary or useful part of an operating or producing plant, on the payment to the lessee of such sum as may be fixed as a reasonable price therefor by a board of three appraisers, one of whom shall be chosen by the lessor, one by the lessee, and the other by the two so chosen; pending such election all equipment shall remain in normal position. If the lessor, or another lessee, shall not, within six months, elect to purchase all or any part of such materials, tools, machinery, appliances, structures, and equipment the lessee shall have the right at any time, within ninety days, to remove from the premises all the materials, tools, machinery, appliances, structures, and equipment which the lessor shall not have elected to purchase, save and except casing in wells and other equipment or apparatus necessary for the preservation of the well or wells.

Sec. 6. Judicial proceedings in case of default. -- If the lessee shall make default in the performance or observance of any of the terms, covenants, and stipulations hereof, or of the general regulations promulgated and in force at the date hereof and referred to in paragraph (h) of Sec. 2 hereof, and such default shall continue after service of written notice thereof by the lessor, then the lessor may institute appropriate judicial proceedings for the forfeiture and cancellation of this lease; but this provision shall not be construed to prevent the exercise by the lessor of any legal or equitable remedy which the lessor might otherwise have. A waiver of any particular cause of forfeiture shallnot prevent the cancellation and forfeiture of this lease for any other cause of forfeiture, or for the

same cause occurring at any other time.

It is hereby specially convenanted and agreed that upon failure of the lessee faithfully to fulfill all or any of its obligations set out in paragraph (b) of section two hereof, this lease may be terminated by the lessor in whole or in part, after thirty days' notice, without the necessity of resorting to court proceedings, upon such terms and conditions as may be found equitable and just by the Secretary of the Interior.

Sec. 7. Heirs and successors in interest. -- It is further covenanted and agreed that each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors of, or assigns of the respective parties hereto.

Sec. 8. Unlawful interest. -- It is also further agreed that no Member of or Delegate to Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified, and during his continuance in office, and that no officer, agent, or employee of the Department of the Interior, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of section 3741 of the Revised Statutes of the United States, and Sections 114, 115 and 115 of the Codification of the Penal Laws of the United States approved March 4, 1919 (35 Stat., 1109), relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

IN WITNESS WHEREOF

THE UNITED STATES OF AMERICA

By E. C. FINNEY,
First Assistant Secretary of the Interior.

Witness to signature of

L. S. Eddy

M. R. RAMSEY

By J. W. Staggers,
Attorney in fact.

EXHIBIT D.

WHEREAS, by certain Indenture of Lease, dated the 14th day of December, 1921, made by and between THE UNITED STATES OF AMERICA, by ALBERT B. FALL, SECRETARY OF THE INTERIOR, as lessor, on the one part, and W. R. RAMSEY of Oklahoma City, Oklahoma, as lessee, of the other part, the said lessor agreed with the said lessee to grant a lease to the said lessee whereby the lessor, in consideration of rents and royalties to be paid and the covenants to be observed as therein set forth, did grant and lease to the lessee in said indenture named, the exclusive right and privilege to drill for, mine, extract, remove and dispose of all the oil and gas deposits in or under the following described tract of land, situated in the County of Kern, State of California, and more particularly described as follows:

> Beginning at a point on the west boundary of section one (1), township thirty-one (31) south, range twenty-four (24) east, Mount Diablo Meridian, 900 feet southerly from the northwest corner of said Section; thence easterly 2550 feet on a line parallel with the north boundary of said section; thence south 1080 feet; thence westerly on a line parallel with the north boundary of said section to its intersection with the west boundary thereof; thence northerly along said west boundary line to the place of beginning; comprising 63.2 acres, more or less.

together with the right to construct and maintain thereon all works, buildings, plants, waterways, roads, telegraph or telephone lines, pipe lines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof for the period of TWENTY YEARS (20), with the preferential right in the lessee to renew said lease for successive periods of TEN YEARS (10) upon such rental, terms and conditions as may be prescribed by the lessor unless otherwise provided by law at the time of the expiration of said period; and

WHEREAS, W. R. Ramsey, assignor herein, has agreed with the PAN AMERICAN PETROLEUM COMPANY, a corporation duly incorporated, organized and existing under and by virtue of the laws of the State of California, to sell to it the benefit of said Indenture of Lease, at the price of One Dollar ($1) and other valuable consideration;

N o w, t h e r e f o r e, in consideration of the sum of One Dollar ($1) and other valuable consideration paid by the said Pan American Petroleum Company to the said W. R. Ramsey, the assignor herein, the receipt of which is hereby acknowledged by him, the said W. R. Ramsey hereby assigns, transfers and sets over unto the said Pan American Petroleum Company the said Indenture of Lease and the benefit thereof, subject to the payment of all rents, and the performance of the covenants, conditions and stipulations therein contained; and

THE ASSIGNOR herein hereby covenants with the said assignee herein that he has not done or suffered any act whereby he is prevented from assigning the said Indenture of Lease, and that he will use his best endeavors to procure a lease of the premises above described to said assignee; and,

IN CONSIDERATION of the foregoing assignment of said Indenture of Lease and of the approval of said assignment and consent thereto by the Secretary of the Interior, the said assignee hereby covenants and agrees to and with the said assignor, and also with THE UNITED STATES OF AMERICA, to fully keep and perform on its part as to the lands covered by this assignment, all of the terms, conditions, stipulations, covenants, promises and agreements in said lease required to be kept and performed by the lessee therein named, and the assignee hereby assumes all the terms, conditions and obligations of said lease as fully and to the same effect as if said assignee were named in and executed the said lease as lessee.

IN WITNESS WHEREOF, the said W. R. Ramsey, the assignor herein, has hereunto subscribed his hand and seal, this 25th day of March, in the year of our Lord, 1922, and the said Pan American Petroleum Company, the assignee herein, in token of the acceptance of this assignment, has on the same day caused its corporate signature to be hereunto subscribed by its Vice-President and its corporate seal to

be hereunto affixed and attested by its Assistant Secretary, both duly authorized thereto.

W. R. RAMSEY (Seal)

Witness to the signature of
W. R. Ramsey:

T. B. Crane
Olin Wellborn

PAN AMERICAN PETROLEUM COMPANY

Attest:
J. A. Sarasta,
Assistant Secretary.

Chas. E. Hammond,
Vice President.

Witness to the signature of
Pan American Petroleum Company,

Harry Williams
Olin Wellborn

April 7, 1922.

We consent to the foregoing assignment and agree that the bond given December 14, 1921, on behalf of W. R. Ramsey, shall remain in full force and effect as to his assignee, the Pan American Petroleum Company.

London & Lancaster Indemnity Company
of America,

By Owen J. Roberts,
Attorney in Fact.

EXHIBIT E.

DEPARTMENT OF THE INTERIOR
General Land Office

Serial Visalia 010097

Lease of Oil and Gas Lands Under the Act of June 4, 1920. (41 Stat. 812).

THIS INDENTURE OF LEASE, entered into, in triplicate, as of the 8th day of February, A. D. 1922, by and between the UNITED STATES OF AMERICA, party of the first part, hereinafter called the lessor, acting in this behalf by the Secretary of the Interior, and the

PAN-AMERICAN PETROLEUM COMPANY,

a corporation organized and existing under and by virtue of the laws of the State of California,

party of the second part, hereinafter called the lessee, under, pursuant and subject to the terms and provisions of the Act of Congress approved June 4, 1920, (41 Stat. 812), making appropriations for the naval service, and other purposes,

W I T N E S S E T H

Sec. 1. Purposes. - That the lessor in consideration of rents and royalties to be paid, and the covenants to be observed as herein set forth, does hereby grant and lease to the lessee the exclusive right and privilege to drill for, mine, extract, remove, and dispose of all the oil and gas deposits in or under the following described tract of land situated in the County of Kern, California, and more particularly described as follows:

Beginning at a point eleven hundred and seventy-three (1173) feet south of the northeast corner of section two (2), township thirty-one (31), south, range twenty-four (24) east of the Mount Diablo Meridian; thence southerly along the east boundary line of said section two (2) to the quarter section corner; thence westerly to the quarter section corner on the west boundary line of said section two (2); thence northerly along the west boundary line of said section two (2) to a point eleven hundred and seventy-three (1173) feet south of the northwest corner thereof; thence easterly on a line parallel to the north boundary line of said section two (2) to the place of beginning; containing approximately one hundred seventy-six and seventy-eight one hundredths (176.78) acres,

together with the right to construct and maintain thereupon allworks, buildings, plants, waterways, roads, telegraph or telephone lines, pipe lines, reservoirs, tanks, pumping stations, or

other structures necessary to the full employment thereof, for a period of twenty (20) years, with the preferential right in the lessee to renew this lease for successive periods of ten (10) years, upon such reasonable terms and conditions as may be prescribed by the lessor, unless otherwise provided by law at the time of the expiration of such periods.

Sec. 2. In consideration of the foregoing, the lessee hereby agrees:

(a) Bond. -- To furnish a bond with approved corporate surety in the penal sum of $5,000, conditioned upon compliance with the terms of the lease.

(b) Wells. - To install upon the leased land a standard or other efficient drilling rig with suitable equipment and within sixty days from date hereof to commence drilling a well, and to continue such drilling diligently and in good faith until all the leased land has been completely drilled, allowing an average of one well for each ten (10) acres of the leased land unless lessor shall consent in writing to a less number of wells.

(c) Royalty and Rents. -- To pay the lessor in advance, beginning with the date of the execution of this lease, a rental of one dollar per acre per annum during the continuance hereof, the rental so paid for any one year to be credited on the royalty for that year, together with a royalty on all oil and gas produced from the land leased herein, (except oil or gas used for production purposes on said land or unavoidably lost), as follows:

(1) For all oil produced of 30° Baume or over:

On that portion of the average production per well not exceeding 20 barrels per day for the calendar month	12-½ per cent.
On that portion of the average production per well of more than 20 barrels and not more than 50 barrels per day for the calendar month	16-2/3 percent.
On that portion of the average production per well of more than 50 barrels and not more than 100 barrels per day for the calendar month	20 percent.
On that portion of the average production per well of more than 100 barrels per day for the calendar month	25 percent.

(2) For all oil produced or less than 30° Baume:

On that portion of the average production per well not exceeding 20 barrels per day for the calendar month	12-½ percent.
On that portion of the average production per well of more than 20 barrels and not more than 50 barrels per day for the calendar month	14-2/7 percent.

On that portion of the average production per well of more than 50 barrels and not more than 100 barrels per day for the calendar month	16-2/3 percent
On that portion of the average production per well of more than 100 barrels per day for the calendar month..	20 percent

Only wells which have a commercial production during at least part of the month shall be considered in ascertaining the average production above provided for; and the Secretary of the Interior shall determine what are commercially productive wells under this provision.

Lessee agrees, upon demand of the lessor, to pay all royalties in fuel oil at tidewater points on the basis of exchange of the market prices of crude oil in the field and fuel oil at tidewater at the time of such payment, the schedule to be submitted in terms of oil and not money.

(3) On gas and casing-head gasoline:

On gas, whether same shall be gas from which the casing-head gasoline has been extracted or otherwise, 12-1/2% of the value thereof in the field where produced where the average production per day for the calendar month from the land leased is less than 3,000,000 cubic feet, and 16-2/3% where the average daily production is 3,000,000 cubic feet or over.

On casing-head gasoline, 16-2/3% of the value of the casing-head gasoline extracted from the gas produced and sold, computed on the basis provided for in the operating regulations.

The value in the field where produced, of gas and casing-head gasoline, for royalty purposes, unless such gas or casing-head gasoline is disposed of under an approved sales contract or other method, as provided in sub-division (d) of this section, shall be as fixed by the Secretary of the Interior.

In cases where the gas produced and sold has a value both for casing-head gasoline content and as dry gas from which the casing-head gasoline has been extracted, then the royalty above provided shall be paid on both of such values.

When paid in value, such royalties shall be due and payable monthly, on the 15th of each calendar month following the calendar month in which produced, to the Receiver of Public Moneys of the land district in which the land is situated; when paid in kind, such royalty oil shall be delivered in tanks provided by the lessee on the premises

where produced, unless otherwise agreed to by the parties hereto, at such times as may be required by the lessor: Provided, That the lessee shall not be required to hold such royalty oil in storage longer than thirty days after the end of the calendar month in which said oil is produced: And provided further, That the said lessee shall be in no manner responsible or held liable for the loss or destruction of such oil in storage from causes over which the lessee has no control; such royalties, whether in value or kind, shall be subject to reduction whenever the average daily production of any oil well shall not exceed ten (10) barrels per day, if in the judgment of the lessor the wells can not be successfully operated upon the royalties fixed herein.

(d) Sales contracts.- To file with the Secretary of the Interior copies of all sales contracts for the disposition of oil and gas produced hereunder, except for production purposes on the land leased, and in the event the United States shall elect to take its royalties in money instead of in oil or gas, not to sell or otherwise dispose of the products of the land leased, except in accordance with a sales contract or other method first approved by the Secretary of the Interior.

(e) Monthly statements. - To furnish monthly statements in detail in such form as may be prescribed by the lessor, showing the amount, quality, and value of all oil and gas produced and saved during the preceding calendar month as the basis for computing the royalties due the lessor. The leased premises and all wells, improvements, machinery, and fixtures thereon or connected therewith and all books and accounts of the lessee shall be open at all times for the inspection of any duly authorized officer of the department.

(f) Plats and reports. -- To furnish annually and at such times as the Secretary shall require, in the manner and form prescribed by the Secretary of the Interior, a plat showing all developments work and improvements on the leased lands, and other related information, with a report as to all buildings, structures, or other works placed in or upon said leased lands, accompanied by a report in detail as to the stockholders, investment, depreciation, and cost of operation, together with a statement as to the amount and grade of oil and gas produced and sold, and the amount received therefor by operations hereunder.

(g) Log of wells. - To keep a log in the form prescribed by the Secretary of all the wells drilled by the lessee, showing the strata and character of the ground passed through by the drill, which log, or copy thereof, shall be furnished to said lessor on demand.

(h) Diligence. - Prevention of waste - Health and safety of workmen. To exercise reasonable diligence in drilling and operating wells for the oil and gas on the lands covered hereby, while such products can be secured in paying quantities, unless consent to suspend operations temporarily is granted by the Secretary of the Interior; to carry on all operations hereunder in a good and workmanlike manner, in accordance with approved methods and practice, having due regard for the prevention of waste of oil or gas developed on the land, or the entrance of water through wells drilled by the lessee to the oil sands or oil-bearing strata to the destruction or injury of the oil deposits, the preservation and conservation of the property for future productive operations, and to the health and safety of workman and employes; to plug securely any well before abandoning the same so as to effectually shut off all water from the oil or gas-bearing strata; not to drill any well within 200 feet of any of the outerboundaries of the lands covered hereby, unless the adjoining lands have been patented or the title thereto otherwise vested in private owners; to conduct all mining, drilling, and related productive operations, subject to the inspection of the lessor; to carry out at the expense of the lessee all reasonable

orders and requirements of lessor relative to prevention of waste, and preservation of the property and the health and safety of workmen, and on failure so to do the lessor shall have the right to enter on the property to repair dmage, or prevent waste, at the lessee's costs; to abideby and conform to regulations in force at the time the lease was granted, covering the matters referred to in this paragraph: Provided, That the lessee shall not be held responsible for delays or casualties occasioned by causes beyond lessee's control. The regulations herein referred to are the "Operating Regulations to Govern the Production of Oil and Gas under the Act of February 25, 1920," and General Land Office Cir. 672, in so far as applicable.

(i) Taxes and wages. - Freedom of purchase. To pay when due, all taxes lawfully assessed and levied under the laws of the State upon improvements, oil, and gas produced from the lands hereunder, or other rights, property, or assets of the lessee; to accord all workmen and employees complete freedom of purchase, and to pay all wages due workmen and employees at least twice each month in the lawful money of the United States.

(j) Reserved deposits. To comply with all statutory requirements and regulations thereunder, if the lands embraced herein have been or shall hereafter be disposed of under the laws reserving to the United States the deposits of oil and gas therein, subject to such conditions as are or may hereafter be provided by the laws reserving such oil or gas.

(k) Assignment of lease. Not to assign this lease or any interest therein, nor sublet any portion of the leased premises, except with the consent in writing of the Secretary of the Interior first had and obtained.

(l) Deliver premises in cases of forfeiture. To deliver up the premises leased, with all permanent improvements thereon, in good order and condition in case of forfeiture of this lease; but this shall not be construed to prevent the removal, alteration, or renewal of equipment and improvements in the ordinary course of operations.

Sec. 3. The lessor expressly reserves:

(a) Rights reserved - Easements and rights of way - The right to permit for joint or several use easements or rights of way, including easements in tunnels upon, trhough, or in the lands leased, occupied, or used as may be necessary or appropriate to the working of the same or of other lands containing the deposits described in the act of February 25, 1920 (41 Stat., 437), and the treatment and shipment of products thereof by or under authority of the Government, its lessees or permittees, and for other public purposes.

(b) Disposition of surface. The right to lease, sell, or otherwise dispose of the surface of the lands embraced within this lease under existing law or laws hereafter enacted, in so far as said surface is not necessary for the use of the lessee in the extraction and removal of the oil and gas therein.

(c) Pipe lines to convey at reasonable rates. The right to require the lessee, his assignees or beneficiary, if owner or operator of, or owner of a controlling interest in, any pipe line, or any company operating the same which may be operated accessible to the oil derived from lands under such lease, to accept and convey at reasonable rates and without discrimination the oil of the Government or of any citizen or company, not the owner of any pipe line, operating a lease or purchasing oil or gas under the provisions of the said act of Feb. 25, 1920.

(d) Monopoly and fair prices. - Full power and authority to carry out and enforce all the provisions of section 30 of the said act of Feb. 25, 1920, which shall be deemed applicable to this lease, to insure the sale of the production of such leased lands to the United States and to the public at reasonable prices, to prevent monopoly, and to safeguard the public welfare.

(e) Helium. The lessor reserves the right to take all helium from any gas produced under this lease, but the lessee shall not be required to extract and save the helium for the lessor; in case the lessor elects to take the helium, the lessee shall deliver all gas containing same, or portion thereof desired, to the lessor in the manner required by the lessor, for the extraction of the helium in such plant or reduction works for that purpose as the lessor may provide, whereupon the residue shall be returned to the lessee with no substantial delay in the delivery of gas produced from the well to the purchaser thereof: Provided, That the lessee shall not, as a result of the operation in this section provided for, suffer a diminution of value of the gas from which the helium has been extracted, or less otherwise, for which the lessee is not reasonably compensated, save for the value of the helium extracted; the lessor further reserved the right to erect, maintain, and operate any and all reduction works and other equipment necessary for the extraction of helium on the premises leased.

Sec. 4. Surrender and termination of lease. The lessee may, on consent of the Secretary of the Interior first had and obtained in writing, surrender and terminate this lease upon payment of all rents, royalties, and other obligations due and payable to the lessor, and upon payment of all wages and moneys due and payable to the workmen employed by the lessee, and upon a satisfactory showing to the Secretary that the public interest will not be impaired; but in no case shall such termination be effective until the lessee shall have made full provision for conservation and protection of the property; upon like consent had and obtained the lessee may surrender any legal subdivisions of the area included herein.

Sec. 5. Purchase of materials, etc., on termination of lease. Upon the expiration of this lease, or the earlier termination thereof pursuant to the last preceding section, the lessor or another lessee may, if the lessor shall so elect within six months from the termination of the lease, purchase all materials, tools, machinery, appliances, structures, and equipment placed in or upon the land by the lessee, and in use thereon as a necessary or useful part of an operating or producing plant, on the payment to the lessee of such sums as may be fixed as a reasonable price therefor by a board of three appraisers, one of whom shall be chosen by the lessor, one by the lessee, and the other by the two so chosen; pending such election all equipment shall remain in normal position. If the lessor, or another lessee, shall not, within six months, elect to purchase all or any part of such materials, tools, machinery, applicances, structures, and equipment, the lessee shall have the right at any time, within ninety days, to remove from the premises all the materials, tools, machinery, applicances, structures, and equipment which the lessor shall not have elected to purchase, save and except casing in wells and other equipment or apparatus necessary for the preservation of the well or wells.

Sec. 6. Judicial proceedings in case of default. If the lessee shall fail to comply with the provisions of the act, or make default in the performance or observance of any of the terms, covenants, and stipulations hereof, or of the general regulations promulgated and in force at the date hereof, and such default shall continue after service of written notice thereof by the lessor, then the lessor may institute appropriate judicial proceedings for the forfeiture and cancellation of this lease in accordance with the provisions of section 31 of said act of Feb. 25, 1920; but this provision shall not be construed to prevent the exercise by the lessor of any legal or equitable remedy which the lessor might otherwise have. A waiver of any particular cause of forfeiture shall not prevent the cancellation and forfeiture of this lease for any other cause of forfeiture, or for the same cause occurring at any other time.

Sec. 7. Heirs and successors in interest. It is further covenanted and agreed that each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors of, or assigns of the respective parties hereto.

Sec. 8. Unlawful interest. It is also further agreed that no Member of or Delegate to Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified, and during his continuance in office, and that no officer, agent, or employee of the Department of the Interior, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of section 3741 of the Revised Statutes of the United States, and sections 114, 115, and 116 of the Codification of the Penal Laws of the United States approved March 4, 1919 (35 Stat., 1109), relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

In witness whereof

THE UNITED STATES OF AMERICA

By E. C. Finney
Secretary of the Interior

Pan American Petroleum Co.

By Jos. J. Cotter.

Witness to signature of

A. W. Ambrose

____

____

EXHIBIT F.

DEPARTMENT OF THE INTERIOR
GENERAL LAND OFFICE

Serials 010042 - 010043 - 010097

Lease of Oil and Gas Lands Under the Act of June 4, 1920 (41 Stat., 812).

This Indenture of Lease, entered into, in triplicate, as of the 28th day of July, 1922, by and between the UNITED STATES OF AMERICA, party of the first part, hereinafter called the lessor, acting in this behalf by the Secretary of the Interior, and the

Pan American Petroleum Company, a corporation organized and existing under and by virtue of the laws of the State of California,

party of the second part, hereinafter called the lessee, under, pursuant, and subject to the terms and provisions of the Act of Congress approved June 4, 1920 (41 Stat., 812), entitled "An Act making appropriations for the Naval Service for the fiscal year ending June 30, 1921 and for other purposes", and Executive Order of May 31, 1921, committing to the Secretary of the Interior the administration of the Naval petroleum and Naval shale reserves, WITNESSETH:

Sec. 1. Purposes. -- That the Lessor in consideration of rents and royalties to be paid, and the covenants to be observed as herein set forth, does hereby grant and lease to the lessee the exclusive right and privilege to drill for, mine, extract, remove and dispose of all the oil and gas deposits in or under the following described tract of land situated in Kern County, State of California, and more particularly described as follows:

TRACT "A" Lots seven (7), eight (8), nine (9), ten (10), eleven (11), twelve (12), thirteen (13) and fourteen (14) of Section one (1), township thirty-one (31) south, range twenty-four (24) east, also the following described tract.

Beginning at a point 2550 feet easterly and 900 feet south of the northwest corner of said section one; thence easterly along a line parallel to the north boundary of said section to a point 900 feet west of the east boundary of said section; thence southerly on a line parallel with the east boundary of said section one to its intersection with the quarter section line of said section; thence westerly along said quarter section line to its intersection with the west boundary of the said section; thence northerly along the said west boundary line to a point 1980 feet southerly from the northwest corner of said section one; thence easterly 2550 feet on a line parallel with the north boundary line of said section one; thence north to the place of beginning, comprising 421 acres, more or less.

TRACT "B" Beginning at a point on the west boundary of section (1) one, township thirty-one (31) south, range twenty-four (24) east, Mount Diablo Meridian, 900 feet southerly from the northwest corner of said section; thence easterly 2560 feet on a line parallel with the north boundary of said section; thence south 1080 feet; thence westerly on a line parallel with the north boundary of said section, to its intersection with the west boundary thereof; thence northerly along said west boundary line to the point of beginning; comprising 63.2 acres, more or less.

TRACT "C" Beginning at a point eleven hundred seventy-three (1173) feet south of the northeast corner of section two (2), township thirty-one (31), south, range twenty-four (24) east of the Mount Diablo Meridian; thence southerly along the east boundary of said section two (2) to the quarter section; thence westerly to the quarter section corner on the west boundary line of said section two (2); thence northerly along the west boundary line of said section two (2) to a point eleven hundred and seventy-three (1173) feet south of the northwest corner thereof; thence easterly on a line parallel to the north boundary line of said section two (2) to the place of beginning; containing approximately one hundred seventy-six and seventy-eight one hundredths (176.78) acres.

together with the right to construct and maintain thereupon all works, buildings, plants, waterways, roads, telegraph or telephone lines, pipe lines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, for a period of twenty (20) years, with the preferential right in the lessee to renew this lease for successive periods of ten (10) years (10) years, upon such reasonable terms and conditions as may be prescribed by the lessor, unless otherwise provided by law at the time of the expiration of such periods.

Sec. 2. In consideration of the foregoing, the lessee hereby agrees:

(a) Bond. - To furnish a bond with approved corporate surety in the penal sum of $10,000., conditioned upon compliance with the terms of the lease.

(b) Wells.- The lessee agrees to keep two strings of tools in continuous operation until the areas covered by this lease are completely drilled up. If within 90 days after the completion of any well and before the leased area is completely drilled, lessee does not commence drilling operations on a new well, and continue such operations with diligence and in good faith until such new well is completed, then the lessee agrees upon demand of the Secretary of the Interior to surrender and relinquish the undeveloped area of the leased land. If any part of the leased land is so surrendered, lessor agrees not to permit drilling on such surrendered area within 600 feet of any well owned and operated by lessee under this lease.

One well for each 10 acres of the leased land economically spaced shall be considered sufficient to develop the leased area.

(c) Royalty and Rents. - To pay the lessor in advance, beginning with the date of the execution of this lease, a rental of one dollar per acre per annum during the continuance hereof, the rental so paid for any one year to be credited on the royalty for that year, together with a royalty on all oil and gas produced from the land leased herein (except oil or gas used for production purposes on said land or unavoidably lost), as follows:

(1) For all oil produced of 30° Baume or over:

On that portion of the average production per well not exceeding 20 barrels per day for the calendar month	12-½ percent.
On that portion of the average production per well of more than 20 barrels and not more than 50 barrels per day for the calendar month	16-2/3 percent.
On that portion of the average production per well of more than 50 barrels and not more than 100 barrels per day for the calendar month	20 percent.
On that portion of the average production per well of more than 100 barrels per day for the calendar month	25 percent.

(2) For all oil produced of less than 30° Baume:

On that portion of the average production per well not exceeding 20 barrels per day for the calendar month	12-½ percent.
On that portion of the average production per well of more than 20 barrels and not more than 50 barrels per day for the calendar month	14-2/7 percent.
On that portion of the average production per well of more than 50 barrels and not more than 100 barrels per day for the calendar month	16-2/3 percent.
On that portion of the average production per well of more than 100 barrels per day for the calendar month	20 percent.

Only wells which have a commerical production during at least part of the month shall be considered in ascertaining the average production above provided for; and the Secretary of the Interior shall determine what are commercially productive wells under this provision.

Lessee agrees, upon demand of lessor, to pay all royalties in fuel oil at tidewater points on the basis of exchange of the market prices of crude oil in the field and fuel oil at tidewater at the time of such payment, the schedule to be submitted in terms of oil and not money.

(3) On gas and casing-head gasoline:

On gas, whether same shall be gas from which the casing-head gasoline has been extracted or otherwise, 12-1/2% of the value thereof in field where produced where the average production per day for the calendar month from the land leased is less than 3,000,000 cubic feet, and 16-2/3% where the average daily production is 3,000,000 cubic feet or over.

On casing-head gasoline 16-2/3% of the value of the casing-head gasoline extracted from the gas produced and sold, computed on the basis provided for in the operating regulations.

The value in the field where produced, of gas and casing-head gasoline, for royalty purposes, unless such gas or casing-head gasoline is disposed of under an approved sales contract or other method as provided in subdivision (d) of this section, shall be as fixed by the Secretary of the Interior.

In cases where the gas produced and sold has a value both for casing-head gasoline content and as dry gas from which the casing-head gasoline has been extracted, then the royalties above provided shall be paid on both of such values.

When paid in value, such royalties shall be due and payable monthly on the 15th of each calendar month following the calendar month in which produced, to the Receiver of Public Moneys of the land district in which the land is situated; when paid in kind, such royalty oil shall be delivered in tanks provided by the lessee on the premises where produced, unless otherwise agreed to by the parties hereto, at such time as may be required by the lessor: Provided, That the lessee shall not be required to hold such royalty oil in storage longer than thirty days after the end of the calendar month in which said oil is produced: And provided further, That the said lessee shall be in no manner responsible or held liable for the loss or destruction of such oil in storage from causes over which the lessee has no control; such royalties, whether in value or kind, shall be subject to reduction whenever the average daily production of any oil well shall not exceed ten (10) barrel per day, if in the judgment of the lessor the wells can not be successfully operated upon the royalties fixed herein.

(d) Sales contracts. - To file with the Secretary of the Interior copies of all sales contracts for the disposition of oil and gas produced hereunder except for production purposes on the land leased, and in the event the United States shall elect to take its royalties in money instead of in oil or gas, not to sell or otherwise dispose of the products of the land leased except in accordance with a sales contract or other method first approved by the Secretary of the Interior.

(e) Monthly statements. - To furnish monthly statements in detail in such form as may be prescribed by the lessor, showing the amount, quality, and value of all oil and gas produced and saved during the preceding calendar month as the basis for computing the royalty due the lessor. The leased premises and all wells, improvements, machinery and fixtures thereon or connected therewith and all books and accounts of the lessee shall be open at all times for the inspection of any duly authorized officer of the department.

(f) Plats and reports. - To furnish annually and at such times as the Secretary shall require, in the manner and form prescribed by the Secretary of the Interior, a plat showing all development work and improvements on the leased lands, and other related information, with a report as to all buildings, structures, or other works placed in or upon said leased lands, accompanied by a report in detail as to the stockholders, investment, depreciation, and cost of operation, together with a statement as to the amount and grade of oil and gas produced and sold, and the amount received therefor by operations hereunder.

(g) Log of Wells.- To keep a log in the form prescribed by the Secretary of all the wells drilled by the lessee, showing the strata and character of the ground passed through by the drill, which log, or copy thereof, shall be furnished to said lessor on demand.

(h) Diligence - Prevention of waste - Health and safety of workmen.- To exercise reasonable diligence in drilling and operating wells for the oil and gas on the lands covered hereby, while such products can be secured in paying quantities, unless consent to suspend operations temporarily is granted by the Secretary of the Interior; to carry on all operations hereunder in a good and workmanlike manner in accordance with approved methods and practice, having due regard for the prevention of waste of oil or gas developed on the land, or the entrance of water through wells drilled by the lessee to the oil sand or oil-bearing strata to the destruction or injury of the oil deposits, the preservation and conservation of the property for future productive operations, and to the health and safety of workmen and employees; to plug securely any well before abandoning the same so as to effectually shut off all water from the oil or gas bearing strata; not to drill any well within 200 feet of any of the outer boundaries of the lands covered hereby, unless the adjoining lands have been patented or the title thereto otherwise vested in private owners; to conduct all mining, drilling, and related productive operations subject to the inspection of the lessor; to carry out at expense of the lessee all reasonable orders and requirements of lessor relative to prevention of waste, and preservation of the property and the health and safety of workmen, and on failure so to do the lessor shall have the right to enter on the property to repair damage or prevent waste at the lessee's cost; to abide by and conform to regulations in force at the time the lease is granted covering the matters referred to in this paragraph. Provided, That the lessee shall not be held responsible for delays or casualties occasioned by causes beyond lessee's control. The regulations herein referred to are the "Operating Regulations to Govern the Production of Oil and Gas under the act of February 25, 1920", and General Land Office Cir. 672, in so far as applicable.

(i) Taxes and wages - Freedom of Purchase.- To pay when due all taxes lawfully assessed and levied under the laws of the State upon improvements, oil and gas produced from the lands hereunder, or other rights, property, or assets of the lessee; to accord all workmen and employees complete freedom of purchase, and to pay all wages due workmen and employees at least twice each month in the lawful money of the United States.

(j) Reserved deposits.- To comply with all statutory requirements and regulations thereunder, if the lands embraced herein have been or shall hereafter be disposed of under the laws reserving to the United States the deposits of oil and gas therein, subject to such conditions as are or may hereafter be provided by the laws reserving such oil or gas.

(k) Assignment of lease.- Not to assign this lease or any interest therein, nor sublet any portion of the leased premises, except with the consent in writing of the Secretary of the Interior first had and obtained.

(l) Deliver premises in cases of forfeiture.- To deliver up the premises leased with all permanent improvements thereon, in good order and condition in case of forfeiture of this lease; but this shall not be construed to prevent the removal, alteration, or renewal of equipment and improvements in the ordinary course of operations.

Sec. 3. The lessor expressly reserves:

(a) Rights reserved - Easements and rights of way.- The right to permit for joint or several use easements or rights of way, including easements in tunnels upon, through or in the lands leased, occupied, or used as may be necessary or appropirate to the working of the same or of other lands containing the deposits described in said act of Feb. 25, 1920, (41 Stat., 637), and the treatment and shipment of products thereof by or under authority of the Government, its lessees or permittees, and for other public purposes.

(b) Disposition of surface. - The right to lease, sell, or otherwise dispose of the surface of the lands embraced within this lease under existing law or laws hereafter enacted, in so far as said surface is not necessary for the use of the lessee in the extraction and removal of the oil and gas therein.

(c) Pipe lines to convey at reasonable rates. - The right to require the lessee, his assignees or beneficiary, if owner or operator of, or owner of a controlling interest in, any pipe line, or any company operating the same which may be operated accessible to the oil derived from lands under such lease, to accept and convey at reasonable rates and without discrimination the oil of the Government or of any citizen or company, not the owner of any pipe line, operating a lease or purchasing oil or gas under the provisions of said act of Feb. 25, 1920.

(d) Monoply and fair prices. - Full power and authority to carry out and enforce all the provisions of section 30 of the xx said act of Feb. 25, 1920, which shall be deemed applicable in this lease to insure the sale of the production of such leased lands to the United States and to the public at reasonable prices, to prevent monoply, and to safeguard the public welfare.

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(e) Helium. - / The lessor reserves the right to take all helium from any gas produced under this lease, but the lessee shall not be required to extract and save the helium for the lessor; in case the lessor elects to take the helium, the lessee shall deliver all gas containing same, or portion thereof desired, to the lessor in the manner required by the lessor, for the extraction of the helium in such plant or reduction works for that purpose as the lessor may provide, whereupon the residue shall be returned to the lessee with no substantial delay in the delivery of gas produced from the well to the purchaser thereof: Provided, That the lessee shall not, as a result of the operation in this section provided for, suffer a diminution of value of the gas from which the helium has been extracted, or loss otherwise, for which the lessee is not reasonably compensated, save for the value of the helium extracted; the lessor further reserves the right to erect, maintain, and operate any and all reduction works and other equipment necessary for the extraction of helium on the premises leased.

Sec. 4. Surrender and termination of lease. - The lessee may, on consent of the Secretary of the Interior first had and obtained in writing, surrender and terminate this lease upon payment of all rents, royalties, and other obligations due and payable to the lessor, and upon payment of all wages and moneys due and payable to the workmen employed by the lessee, and upon a satisfactory showing to the Secretary that the public interest will not be impaired; but in no case shall such termination be effective until the lessee shall have made full provision for conservation and protection of the property; upon like consent had and obtained the lessee may surrender any legal subdivision of the area included herein.

Sec. 5. Purchase of materials, ect. on termination of lease. - Upon the expiration of this lease, or the earlier termination thereof pursuant to the last preceding section, the lessor or another lessee may, if the lessor shall so elect within six months from the termination of the lease, purchase all materials, tools, machinery, appliances, structures and equipment placed in or upon the land by the lessee, and in use thereon as a necessary or useful part of an operating or producing plant, on the payment to the lessee of such sum as may be fixed as a reasonable price therefor by a board of three appraisers, one of whom shall be chosen by the lessor, one by the lessee, and the other by the two so chosen; pending such election all equipment shall remain in normal position. If the lessor, or another lessee, shall not, within six months, elect to purchase all or any part of such materials, tools, machinery, appliances, structures and equipment, the lessee shall have the right at any time, within ninety days, to remove from the premises all the materials, tools, machinery, appliances, structures, and equipment which the lessor shall not have elected to purchase, save and except casing in wells and other equipment or apparatus necessary for the preservation of the well or wells.

Sec. 6. Judicial proceedings in case of default. - If the lessee shall fail to comply with the provisions of the act, or make default in the performance or observance of any of the terms, covenants and stipulations hereof, or of the general regulations promulgated and in force at the date hereof, and such default shall continue after service of written notice thereof by the lessor, then the lessor may institute appropriate judicial proceedings for the forfeiture and cancellation of this lease in accordance with the provisions of section 31 of said act of February 25, 1920: but this provision shall not be construed to prevent the exercise by the lessor of any legal or equitable remedy which the lessor might otherwise have. A waiver of any particular cause of forfeiture shall not prevent the cancellation and forfeiture of this lease for any other cause of forfeiture, or for the same cause occurring at any other time.

It is especially covenanted and agreed that upon a failure of the lessee faithfully to fulfill all or any of its obligations set out in paragraph (b) of section 2 hereof, this lease may be terminated by the lessor in whole or in part, after thirty days' notice without the necessity of resorting to court proceedings upon such terms and conditions as may be found equitable and just by the Secretary of the Interior.

Sec. 7. Heirs and successors in interest. - It is further covenanted and agreed that each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors of, or assigns of the respective parties hereto.

Sec. 8. Unlawful interest. - It is also further agreed that no Member of or Delegate to Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified, and during his continuance in office, and that no officer, agent, or employee of the Department of the Interior, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of section 3741 of the Revised Statutes of the United States, and sections 114, 115, and 116 of the Codification of the Penal Laws of the United States approved March 4, 1909 (35 Stat., 1109), relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

It is hereby stipulated and agreed that those certain leases designated as Visalia 010042, dated December 14, 1921, Visalia 010043 dated December 14, 1921 and 010097 dated February [illegible], 1922, heretofore awarded to lessee herein under the same act and embracing tracts "A", "B", and "C", respectively, described in Section one hereof, shall be and are hereby consolidated into

one lease to be designated as Visalia 010042 - 0010043 - 010097, subject to all the terms, conditions, restrictions and obligations in this lease set forth.

[illegible]

THE UNITED STATES OF AMERICA,

By E. C. Finney,
First Assistant Secretary of
the Interior.

PAN AMERICAN PETROLEUM COMPANY,

By Jos. [illegible] Wetter,
Agent.

Witness to signature of -

H. [illegible] Hogsett

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IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF CALIFORNIA
NORTHERN DIVISION

UNITED STATES OF AMERICA, Plaintiff, v. PAN AMERICAN PETROLEUM COMPANY, a corporation, Defendant.	)	No. B-115-C In Equity

DEFENDANT'S ANSWER TO AMENDED BILL OF COMPLAINT

Pan American Petroleum Company, a corporation, duly organized and existing under and in virtue of the laws of the State of California, defendant in the above entitled cause, answering plaintiff's amended bill of complaint in said cause, respectfully shows unto the Court as follows:

1. It admits the allegations of paragraph 1 of the amended bill of complaint.

2. It admits the allegations of paragraph 2 of the amended bill of complaint.

3. It admits the allegations of paragraph 3 of the amended bill of complaint.

4. It admits the allegations of paragraph 4 of the amended bill of complaint.

5. It admits that at the times mentioned the United States was the owner of the lands described in the fifth paragraph of said amended bill, subject however to the lawful rights of persons who under the provisions of acts of Congress had located claims thereon, and it says that, as will hereinafter more fully appear, parts of the said described lands were subject to claims based upon the provisions of said acts of Congress and the asserted compliance of claimants therewith. Defendant admits the promulgation of the Executive Orders mentioned in paragraph 5 of said amended bill, but refers to the said orders for their terms and purposes. Defendant admits that the lands described in paragraph 5 of said amended bill were included in the presidential order setting aside naval petroleum reserve No. 1, but avers

that said order was subject to rights and claims which had theretofore accrued and arisen. Defendant admits that said lands contain oil and gas deposits, and that the same are valuable, but is not informed of the meaning of the allegation of said paragraph of said amended bill that the said lands "were and are very valuable", and therefore denies said allegation and calls for strict proof thereof if material.

6. Defendant admits the enactment of the Act of Congress approved June 4, 1920, referred to in paragraph 6 of the amended bill, and that the same has ever since been and is now in full force and effect, unamended and unrevised; defendant believes that there is contained in said paragraph 6 of the amended bill a correct quotation of all of the provisions of the said Act of Congress approved June 4, 1920, as are material to this case, but for certainty as regards the exact language of the said provisions of law, defendant refers to the law itself.

7. Defendant is advised, and therefore avers, that it is not called upon to admit or deny the allegations of paragraph 7 of said amended bill, which merely sets forth the legal conclusions of plaintiff with regard to the provisions of the act of Congress pleaded in paragraph 6 of the amended bill; defendant denies the allegation of fact in said paragraph 7 that the Secretary of the Navy did take possession of all of the properties within naval petroleum reserves, including the premises described in the amended bill, as were or might become subject to the control of and use by the United States for naval purposes, but, on the contrary, on information and belief it avers that the Secretary of the Navy took possession of only those lands within the borders of the naval petroleum reserves, including the lands described in the amended bill, as were not subject to pending claims or applications for permits or leases or pending applications for United States patents, as expressly provided by the aforesaid Act of June 4,1920.

8. Defendant denies the fact alleged in paragraph 8 of said amended bill, and avers, on the contrary, that the Executive Order dated May 31, 1921, in said paragraph mentioned was signed by the President of the United States upon the request and recommendation of the then

Secretary of the Navy of the United States, in aid of the administration by his Department of the plaintiff's naval oil reserve lands; that the issuance of said Order was not induced by any representations made to the President by the said Albert B. Fall and its issuance was neither requested of nor recommended to the President of the United States by the said Fall; that the said Order was not presented or caused to be presented to the President of the United States by the said Fall but on the contrary its issuance was recommended by and it was caused to be presented to the President of the United States by the Secretary of the Navy and was actually so presented by the then Assistant Secretary of the Navy who at the time of such presentation and at the time of the execution of the said Order was the Acting Secretary of the Navy. To the said Order itself this defendant refers for its provisions. Defendant is advised that it is not called upon to make answer to so much of the eighth paragraph of the amended bill as comprises mere conclusions of law respecting the said Order.

Defendant emphatically denies the allegations of said paragraph 8 of said amended bill that subsequent to the making of said Order, and prior to November 28, 1921, the said Fall and Doheny did combine, confederate and conspire to defraud the United States of America by bringing about the execution and delivery of the leases referred to in said amended bill of complaint for the private gain of said Fall and of said defendant herein, for whom said Doheny acted in that behalf.

9. Defendant denies the allegations of paragraph 9 of the amended bill of complaint.

10. Defendant denies the allegations of paragraph 10 of the amended bill of complaint.

11. Defendant denies the facts alleged in paragraph 11 of the said amended bill of complaint, as therein alleged, and avers, in further answer to said paragraph that the facts leading up and relating to the subject matter thereof are as follows:

In April, 1921, the Secretary of the Navy of the United States issued an invitation for bids for a lease of a strip of land within

Naval Petroleum Reserve No. 1, Kern County, California, along the north side of Section 1-31-24 M.D.M., and along the east side of the northeast quarter of said section 900 feet wide (said section having within it also the lands described in columns (a) and (b) of paragraph 5 of the amended bill herein), and to have drilled thereon 22 wells in two rows, said bids to be submitted April 25, 1921; a true copy of said invitation for bids being hereto annexed, made part hereof, marked Exhibit No. 1.

In response to said invitation this defendant under date of April 25, 1921, submitted a proposal and an alternate proposal for a lease on the last mentioned strip of land; a true copy of said proposal being hereto annexed, made part hereof, marked Exhibit No. 2, and a true copy of said alternate proposal being hereto annexed, made part hereof, and marked Exhibit No. 3.

Prior to the issuance by the Secretary of the Navy of said invitation for bids the United Midway Oil Land Company, a corporation, had filed claims to the land, among other lands, described in said invitation, and at the time said invitation was issued the said claim of the United Midway Oil Land Company was pending before the President of the United States. Subsequent to the issuance of said invitation and before the date for the receipt of bids thereunder the said United Midway Oil Land Company made representations respecting its pending claim to the Secretary of the Interior who requested the Honorable Edward C. Finney, First Assistant Secretary of the Interior of the United States, who had then been continuously employed in the Department of the Interior of the Plaintiff since the year 1894, to examine into the facts of said claim, advise the said Secretary with respect thereto, and submit recommendations in the premises. In response to said request the said First Assistant Secretary of the Interior, under date of April 7, 1921, submitted to the said Secretary his report and recommendations, a true copy whereof is hereto annexed, made part hereof and marked Exhibit No. 4.

Under date of April 20, 1921, by direction of the President of the United States, the Honorable George B. Christian, Jr., Secretary to the President, transmitted to the Secretary of the Interior the papers

relating to the aforesaid United Midway Oil Land Company claim then pending before the President; a true copy of letter by which said transmittal was made is hereto annexed, made a part hereof, and marked Exhibit No. 5. Thereupon the Secretary of the Interior undertook the preparation of a report, after consideration of the facts, in respect to said claim.

On April 25, 1921, at the Navy Department of plaintiff, there were received fifteen bids for the aforesaid lease of strip in said Section 1, but opening of and action upon said bids was deferred because of the pendency of the aforesaid claim.

On May 31, 1921, while action on said claim and said bids was pending, the President of the United States signed the Executive Order of May 31, 1921, hereinbefore referred to, a copy of which is annexed as Exhibit A to the plaintiff's amended bill of complaint herein.

On June 2, 1921, the Acting Secretary of the Navy transmitted to the Secretary of the Interior all the aforesaid bids together with a letter of transmittal dated the said 2nd day of June, 1921, a true copy of which is annexed hereto, made part hereof, marked Exhibit No. 6.

Thereupon said bids were publicly opened and the bid of the defendant was found by the officials of the plaintiff's Navy Department and of the plaintiff's Interior Department to be the "highest and best bid submitted."

Negotiations between representatives of the said United Midway Oil Land Company and the Secretary of the Interior resulted in an agreement for the surrender by said Company of its claim to any right, title or interest in lands in said Section 1 and section 12, adjoining, of said Naval Petroleum Reserve No. 1, in consideration of the leasing to it, or its nominee, by the plaintiff, of a portion of the strip which plaintiff's Navy Department desired to lease as shown by its aforesaid invitation for proposals and the aforesaid letter of June 2, 1921.

The said proposed settlement was reported to the President of the United States and by him approved.

It was proposed by the United States to lease to the said United Midway Oil Land Company, or its nominee, in consideration of

the relinquishment by it of its aforesaid claim, a sufficient portion of the aforesaid 900-foot strip in said Section 1 for the drilling of 8 of the said 22 proposed wells, upon the same terms as those tendered by the defendant in its aforesaid highest and best bid, and to request, as a means to that end, the defendant to relinquish its right to award of lease for the entire 900-foot strip and to accept a lease for so much of said strip as remained after the making of the said lease by the plaintiff with the United Midway Oil Land Company, the portion of said strip to be leased to the defendant to be sufficient for the drilling of 14 of the aforesaid 22 wells. By the plan aforesaid it was contemplated by the plaintiff, (1) to remove the impediment to the leasing of said north and east strip of said section 1, the best interests of the United States required be done with utmost expedition; (2) to definitely release all outstanding claims to lands in Sections 1 and 12 mentioned in Exhibit No. 4 hereto; (3) to obtain leases for lands in Section 1 upon terms extraordinarily advantageous to the plaintiff. The oil and gas content of said Section 1, and other sections, in Naval Petroleum Reserve No. 1 were then subject to drainage by the operation of wells on adjoining and nearby lands which did not belong to the plaintiff, as will hereinafter in this answer more fully appear, and because of such drainage, and the great loss which the plaintiff had been and was being and would continue to be subjected thereby, it was to the best interests of the plaintiff, as was known to and recognized by its duly authorized officers, to have undertaken the drilling of wells upon and the extraction of oil and gas from the said lands, and, in view of the manifest emergency, to have this done as promptly as practicable. It was further to the plaintiff's interest, and it desired, to drill wells upon said lands and obtain the oil and gas therefrom by reason of the value to be obtained by the plaintiff from the use thereof or of products obtained therewith.

Defendant avers that between April 25, 1921, and July 8, 1921, it was informed of and believed the aforesaid facts relating to the pendency of a claim to the land in said Section 1 and of the plan under which plaintiff desired to compromise and settle the aforesaid claim

by awarding to said claimant a lease of a part of the aforesaid 900-foot strip along the north line of said Section 1, under an instrument of lease providing for and requiring the lessee, the aforesaid claimant, to drill 8 wells on the land so leased, to release to the plaintiff its claim, and to yield to the plaintiff a royalty of 55⅓ per cent of the oil produced therefrom; and plaintiff requested defendant to agree to accept a lease for part of the land upon which it had submitted its aforesaid bids, instead of upon the whole thereof, and to agree to drill upon said part 14 (instead of 22) wells and agree to yield to the Government a royalty of 55⅓ per cent of the oil produced therefrom, as by its aforesaid bids submitted April 25, 1921, it had tendered itself willing to do in consideration of a lease to all of said strip. When these facts and the said request were presented to defendant it agreed with plaintiff to accept a lease of sufficient of said lands for 14 instead of for 22 wells, and to pay the royalty of 55⅓ per cent offered in, and in all other respects to abide by the terms of, its aforesaid bid. Thereupon the making of said proposed lease with the defendant and of said proposed lease of land for the drilling of 8 wells, in consideration of the relinquishment of the said claim, with the United Midway Oil Land Company, was approved and directed by the Secretary of the Navy and by the President of the United States.

On July 8, 1921, an instrument of the lease was entered into between plaintiff and the United Midway Oil Land Company for part of the aforesaid 900-foot strip of land along the north line of said Section 1, copy of which said instrument of lease is hereto annexed, made part hereof, and marked Exhibit No. 7.

On July 12, 1921, there was executed instrument of lease between plaintiff and defendant for the remainder of the said 900-foot strip of land in said section, copy of which is annexed hereto, made part hereof, marked Exhibit No. 8.

Neither the defendant nor any officer, attorney, agent, or employee of the defendant had any connection with the negotiations growing out of and leading up to the settlement of the United Midway Oil Land

Company claim to said Section 1, and/or to other lands in said Naval Petroleum Reserve No. 1, or elsewhere, or was in any wise interested in the said Company or its aforesaid claim; this defendant's only connection with that matter being that it agreed, at the request of plaintiff, to accept a lease for land [illegible] drill 14 wells instead of a lease for the entire 900-foot strip in accordance with its aforesaid bid.

The aforesaid leases were made for the benefit of the United States, at the request of and with the approval of its Secretary of the Navy, and the plaintiff has received, accepted, and retained the royalty therein reserved.

There is attached hereto, made part hereof, and marked Exhibit No. 9, a map on which, indicated by the letter D, there is shown, approximately, land included in the aforesaid lease of July 12, 1921 (Exhibit No. 3), between plaintiff and defendant, and on which said map, indicated by the letter H, there is shown the land included in the aforesaid lease of July 8, 1921, between plaintiff and the United Midway Oil Land Company (Exhibit No. 7).

The plaintiff's above referred to invitation for bids had for its primary purpose the drilling of 22 wells in two rows in order to offset wells theretofore drilled on immediately adjacent land outside the boundary of said Naval Petroleum Reserve No. 1, and particularly on Section 36, just north of said Section No. 1; the wells theretofore drilled in said Section 36 have produced large quantities of oil, some of them having had an initial production of more than 5000 barrels a day, and wells in two rows along the south of said Section 36 having had an average initial production of 3200 and 2500 barrels a day each; the knowledge of the production of the wells in said Section 36 caused the offer of the high royalty by this defendant in its above mentioned bids and induced the said United Midway Oil Land Company to agree to relinquish its aforesaid claim in consideration of a lease providing for the same royalty; the work of drilling wells in Section 1, which was undertaken promptly following the execution of the aforesaid lease of July 12,1921, demonstrated that gas pressure had been greatly exhausted and drainage

had taken effect to such an extent that results anticipated by plaintiff and defendant were not and could not be realized, and the wells drilled in two rows along the strip at the north of said Section 1 produced an initial average of only 360 barrels per day each. It was found by defendant, and on information and belief defendant avers it was also found by said United Midway Oil Land Company, that wells producing the quantity of oil obtained from those drilled in Section 1, at the cost necessarily incurred by bringing in and operating said wells, could not be operated by the lessee under the royalty provided in the leases except at heavy loss.

On or about April 30, 1920, plaintiff's Secretary of the Navy had established as part of his office a "Fuel Oil Office" to have charge, under the direction of the said Secretary, of matters relating to the naval petroleum reserves, and a subordinate officer of the Bureau of Engineering of the United States Navy was assigned for duty in immediate charge of the said Fuel Oil Office.

On or about October 8, 1921, plaintiff's Secretary of the Navy orally directed the transfer of the said Fuel Oil Office to the Bureau of Engineering of the Navy Department and placed in immediate charge thereof, under the direction of the said Secretary, the Chief of the said Bureau of Engineering, in the place and stead of said subordinate officer of the said Bureau.

On October 18, 1921, plaintiff's Secretary of the Navy by formal official written order directed said transfer, a true copy of said written order being hereto annexed, made part hereof, and marked Exhibit No. 10.

On October 8, 1921, plaintiff's Secretary of the Navy designated the Engineer in Chief of the United States Navy, Rear Admiral J. K. Robison, as the representative of the Secretary of the Navy in relation to the administration of the plaintiff's naval petroleum reserves, and directed that the said Robison should have charge, under the direction of the said Secretary of the Navy, of all matters pertaining to the said naval petroleum reserves.

The said Robison, pursuant to said designation, order and direction, on or about the said 6th day of October, 1921, did assume the aforesaid duties and did thereafter continuously discharge the same during all of the period of time referred to in plaintiff's amended bill of complaint.

On October 25, 1921, plaintiff's Secretary of the Navy caused to be transmitted to plaintiff's Secretary of the Interior a letter relating to the administration of plaintiff's naval reserves, a true copy of which is annexed hereto, made part hereof, marked Exhibit No. 11.

On October 30, 1921, the Secretary of the Interior replied to the said last mentioned communication from the Secretary of the Navy, and a true copy of the said reply is annexed hereto, made part hereof, marked Exhibit No. 13.

On August 8, 1921, the United Midway Oil Land Company assigned the aforesaid lease (Exhibit No. 7 to this answer) to one W. R. Ramsey, which assignment was approved by the plaintiff.

During the month of October, 1921, a representative of said Ramsey informed Joseph J. Cotter, an attorney of the defendant company handling such matters for it in New York and Washington, that the situation disclosed by the results of the drilling of wells provided for in the aforesaid lease between the United States and the said United Midway Oil Land Company (Exhibit No. 7 to this answer) made it necessary for that company's assignee, the said Ramsey, to apply to the plaintiff for relief from the burden of the high royalties reserved in the said lease or, unless adequate relief in that respect was obtained, to abandon the said lease. The said Ramsey requested defendant, in view of the similarity of the positions of both lessees under their aforesaid leases, in the event defendant's experience was similar to that of the said Ramsey, to join in the aforesaid then contemplated application for relief, or make a similar application on its own behalf. Thereupon, the said Cotter having communicated on the subject to J. C. Anderson, then vice-president and general manager, now president, of defendant, the latter under date of November 3, 1921, addressed to E. L. Doheny, the defendant's then president, a letter a true copy of which is hereto annexed, made part hereof, marked Exhibit No. 13, the statement of facts in which, without repetition in full here, this defendant adopts as part of this answer and asks that the same be considered by the Court as fully as if the said facts were in this paragraph averred. On November 21, 1921, the said Cotter was advised that the said Ramsey was addressing a communication to the Secretary of the Interior on the subject of relief from the high royalties reserved in the aforesaid lease, Exhibit 7 hereto, and on November 23, 1921, the defendant, acting by said Cotter, addressed a letter to the Secretary of the Interior, a true copy of which is annexed hereto, made part hereof, marked Exhibit No. 14, the facts in which this defendant here again avers as part of this answer. Thereafter this defendant was orally informed, through the said Cotter, by the First Assistant Secretary of the Interior, Edward C. Finney, of the rejection by the plaintiff of its application for relief as in its said letter of November 23, 1921, made, and there followed negotiations for the purpose of obtaining by the defendant and the said Ramsey of relief from the

situation presented in their aforesaid communications of November 21 and 22, 1921, respectively, and by the plaintiff of satisfactory leases and lessees, upon satisfactory terms agreed upon by it and its lessees, for the lands then unleased in said Section 1 which the plaintiff had determined it would be to its best interest to lease because of the known danger of loss to the plaintiff by reason of drainage of oil and gas from under said Section 1 through wells on adjacent and nearby sections of land not within the boundaries of Naval Reserve No. 1.

The subject matter of defendant's aforesaid letter of November 22, 1921, was made known to the plaintiff's Secretary of the Navy through his aforesaid representative in the administration of the oil reserves, Rear-Admiral John K. Robison, Engineer in Chief of the United States Navy, and the Secretary of the Navy directed and approved the rejection of the application made by the defendant and by the said Ramsey as aforesaid. The plaintiff's Secretary of the Navy was thereafter advised of all subsequent negotiations, and by his direction and with his approval the plaintiff proposed to lease to defendant the land described in clause (a) of paragraph 5 of the said amended bill of complaint herein for the period and upon the terms set forth in Exhibit B to the said bill, and proposed to lease to the said Ramsey the lands described in clause (b) of paragraph 5 of the said amended bill for the period and upon the terms set forth in Exhibit C to the said bill, and therefore, by the direction and with the approval of the plaintiff's Secretary of the Navy, who by law was fully authorized thereunto, the said leases of December 14, 1921, Exhibits B and C to plaintiff's amended bill of complaint herein, were duly executed and entered into by and between plaintiff and defendant and plaintiff and the said Ramsey, respectively. Thereafter, on, to wit, March 25, 1922, for valuable consideration, the said Ramsey duly assigned to defendant the said lease and the said assignment was duly approved by the plaintiff.

Prior to the occurrence of the events hereinbefore set forth in this eleventh paragraph of this answer, and subsequent to the enactment of the act of the Congress of the United States approved February 25, 1920, generally known and referred to as the "Leasing Act", the Secretary of the Interior of the United States had promulgated regulations for carrying into effect the provisions of that act of Congress wherein there were prescribed royalties for leases under said act ranging, according to well production, from 12½ to 25 per cent of oil of 30 degrees Baume and over, and from 12½ to 20 per cent of oil of under 30 degrees Baume produced. The aforesaid leases between the United States and the Defendant and the United States and said Ramsey, both dated December 14, 1921, provided for the payment by the lessees to the plaintiff of the said regulation royalties.

In the making of the said leases, and in the doing of any of the acts hereinbefore referred to, officials of the plaintiff's Interior Department so acting did so pursuant to the directions of the Secretary of the Navy and his duly authorized official representative, with the intent and for the purpose, under such direction, of assisting the said Secretary of the Navy and the Department of the Navy of the United States in the administration, development, operation and leasing of lands in the said naval reserves, as directed by the law in such case made and provided.

The land embraced in the instrument of lease, a copy of which is Exhibit B to the said amended bill of complaint, is indicated on the aforementioned plat, Exhibit No. 9 to this answer, by the Letter [illegible]; and the land embraced in the aforesaid lease of December 14, 1921, to Ramsey, thereafter assigned as aforesaid by said Ramsey to this defendant, a copy of which is Exhibit C to said amended bill, is indicated on said plat by the letter I.

The said two leases were made, as aforesaid, under the direction and with the approval of plaintiff's Secretary of the Navy, and for the benefit of the United States Navy; and all operations under the said leases have been carried on with the knowledge and approval of the Secretary of the Navy and of all other officers and departments of the

United States having any authority, power or duty in respect to said properties, the realization and/or disposition thereof, and the products or proceeds therefrom.

Plaintiff has received and retained for the use and benefit of the United States all royalties reserved to the lessor by the terms of said leases and still continues so to do.

Defendant has in every respect complied with each and every of the obligations imposed upon it by the terms of the said leases in this eleventh paragraph of this answer referred to. It has fully and regularly accounted to the plaintiff for all royalties in and by the said leases reserved, and the latter has accepted and received the benefit of said royalties, and now retains the same. Defendant paid to the said Ramsey a large sum of money, pursuant to agreement between said Ramsey and this defendant, as consideration for the assignments of the aforesaid leases of July 8, 1921, and December 14, 1921, which assignments, as hereinbefore set forth, were made with plaintiff's approval.

The said leases, their terms, and the circumstances under which and the purposes for which they were entered into by the plaintiff were made known by the Secretary of the Navy and the Secretary of the Interior, to the Congress of the United States and to the President of the United States nearly two years prior to the institution of this suit by the filing of the original bill of complaint herein, prior to which filing there had been no demand made upon this defendant by the plaintiff in respect of said leases except for the carrying out by the defendant of its obligations under the terms thereof, and the said leases had not been made the subject of attack, complaint or criticism, nor had this defendant been informed by the plaintiff or any of its departments that they were considered by the plaintiff as other than valid and unexceptional.

Except insofar as they are consistent with the facts as they are in this paragraph 11 of this answer set forth, defendant denies all of the allegations of fact contained in the eleventh paragraph of the plaintiff's amended bill of complaint. Defendant is advised by counsel and therefore avers that it is not called upon to deny or affirm the legal conclusions set up in the said eleventh paragraph of said amended bill. Defendant denies that the leases referred to in the said

paragraph, or any of them, were or are void or voidable, and inoperative, but on the contrary asserts that the same were and are, and each was and is, valid and binding upon plaintiff, upon the defendant, and upon the defendant's assignor, respectively.

12. Defendant admits that on July 8, 1921, a lease was made by the plaintiff to the United Midway Oil Land Company as alleged in paragraph 12 of the said amended bill, but avers that the said lease was, as hereinbefore shown in paragraph 11 of this answer, entered into under authority of law for the purpose of, and it resulted in, settling and compromising a pending claim to lands in the said naval reserves. Defendant is informed and believes and therefore avers that the said lease was entered into with the express approval of the President of the United States and the plaintiff's Secretary of the Navy. Defendant admits the execution of all of the other documents referred to in the said twelfth paragraph of the said amended bill, but here expressly refers to the averments contained in the eleventh paragraph of this answer for the facts relating to said documents and the circumstances in which and the purposes for which they were made.

Except as above admitted defendant denies all of the allegations of paragraph 12 of said amended bill.

13. Defendant admits the execution on February 8, 1922, of lease between it and plaintiff a copy of which is Exhibit E to plaintiff's amended bill of complaint and which said lease is referred to in the thirteenth paragraph of said amended bill of complaint, but defendant denies all of the allegations in said thirteenth paragraph of said amended bill contained as to the circumstances in which and the reasons and purposes for the making of said lease and, in answer to said allegations, hereby avers that the facts leading up and relating to the making of said lease of February 8, 192 , are as follows:

Under date of November 30, 1921, plaintiff invited bids for leases upon certain tracts in Section 25, T. 30 S., R. 23 E.; Section 6, T. 31 S., R. 24 E.; and Section C, T. 31 S., R. 24 E., in said Naval Petroleum Reserve No. 1. True copies of said invitations for bids, dated

November 30, 1921, together with the enclosures, consisting of three sheets, transmitted therewith, are annexed hereto, made part hereof, and marked Exhibits Nos. 15, 15A, 15B and 15C, respectively. Under cover of the last mentioned invitation for bids there were also transmitted to prospective bidders plats of the lands referred to. Said bids were invited by plaintiff's Director of the Bureau of Mines by direction of and with the approval of plaintiff's Secretary of the Navy.

On December 6, 1921, the aforesaid Joseph J. Cotter transmitted to the aforesaid J. C. Anderson a copy of said invitation for bids, with said enclosures, and thereafter, under date of December 17, 1921, there was received in the city of New York, addressed to defendant's then president, Edward L. Doheny, but in the absence of said Doheny, a communication from said Anderson advising, in substance, first, that after examination he was not impressed with the prospects for oil in the above mentioned Section 25 and 6 and therefore could not recommend defendant's bidding thereon; second, that upon consideration of the situation relating to the 1173-foot strip which plaintiff proposed to lease in Section 2, he, the said Anderson, recommended that defendant bid a sliding scale of royalties, a minimum of 12½ to a maximum of 21 per cent, of oil under 30° Baume, and a minimum of 12½ to a maximum of 33 per cent royalty of oil of 30° Baume and over; the said communication of December 17, 1921, was received in New York, in the absence of said Doheny, by the said Cotter, who by telegraph to said Anderson and said Doheny in substance recommended a revision upward of the royalties suggested by said Anderson; thereupon the said Doheny, who meantime had arrived in Los Angeles, California, directed the said Cotter to submit a bid in response to the last mentioned invitation dated November 30, 1921, but on the land in the said Section 2 only, on a royalty basis higher than that fixed by said Anderson, and as shown in bid dated December 23, 1921, which defendant, acting by said Cotter, did actually submit, a true copy of which is annexed hereto, made part hereof, marked Exhibit No. 16.

Upon public opening this last mentioned bid, submitted by defendant as aforesaid, was decided by the plaintiff's Navy Department and Interior Department to be the highest and best bid received by

plaintiff. Prior to take any action upon the bids submitted the Acting Secretary of the Interior in December, 1921, being the head of the plaintiff's Interior Department in the then absence from Washington of the Secretary of the Interior, informed defendant that official action to lease strip along the north of the said Section 2 could not be taken, or at all events must be delayed, because of the then pendency, undisposed of, of a claim to title to all of said Section 2 based upon the provisions of the so-called placer mining laws. Thereupon defendant after negotiations obtained an agreement under which in consideration of payments from defendant to claimants, defendant obtained quitclaim running to the United States, of claimants' right, title and interest in and to all of said Section 2; this quitclaim was delivered to defendant early in January, 1922, to be by it delivered to plaintiff, if agreement therefor could be effected between plaintiff and defendant; at that time defendant's representative in active charge of the matters herein referred to, the aforesaid Cotter, was in Los Angeles, and under date of January 5, 1922, he telegraphed to the said Acting Secretary of the Interior regarding defendant's possession of the last mentioned document. On or about January 18, 1922, the defendant, proposed to plaintiff that if plaintiff accepted defendant's bid for lease of the aforesaid 1173-foot strip in said Section 2, and agreed to lease to defendant all of the remainder of said Section 2 on the plaintiff's aforesaid regulation royalties, defendant would, in addition to agreeing to yield the royalties set forth in its bid for lease of the aforesaid 1173-foot strip, and to yield the royalties at the said regulation rates prescribed by the Government for wells drilled in any part of said Section 2 south of the aforesaid 1173-foot strip, surrender to the Government quitclaim deed duly executed covering all of said Section 2. The Secretary of the Navy was informed of the said proposition, and by his direction defendant was informed that plaintiff could consider leasing to defendant, under the terms of the latter's said bid, the aforesaid 1173-foot strip in Section 2, and additional land in said section, in consideration of regulation royalties and the aforesaid surrender to the

plaintiff of the said outstanding claim. On February 1, 1922, defendant submitted proposal to plaintiff, a true copy of which is attached hereto, made part hereof, and marked Exhibit No. 17. The Acting Secretary of the Interior submitted this proposal to the Secretary of the Navy, and acting in accordance with the decision of the Secretary of the Navy, rejected said proposal but offered to award defendant lease for north 1173-foot strip of Section 2 under defendant's aforesaid bid and enter into an additional lease with defendant for the remainder of the north half of said Section 2 in consideration of regulation royalties and the delivery to the plaintiff of the aforesaid quitclaim deed.

Pursuant to said negotiations and upon the considerations aforesaid, there was executed by plaintiff and defendant on February 8, 1922, lease copy of which is attached to plaintiff's amended bill of complaint herein as Exhibit E thereof.

Plaintiff accepted the aforesaid quitclaim deed and the relinquishment which it conveyed to plaintiff of the then pending claim to all of said Section 2, which claim in general terms is described in defendant's aforesaid letter of February 1, 1922, Exhibit No. 17 hereto; plaintiff has ever since retained the said quitclaim deed and all rights thereunder and has not prior to the bringing of this suit, or at any time, tendered its return or offered to reconvey to defendant the rights claimed to said Section 2 which, as aforesaid, had been obtained by this defendant and quitclaimed and conveyed to plaintiff.

At all times referred to in this paragraph 13 of this answer plaintiff was desirous of and anxious to lease lands and have wells promptly drilled in said Section 2 by reason of the fact that the drilling and operation of wells then and theretofore in progress by the owners of lands in the vicinity of and adjacent to, and particularly on the section of lands immediately north of, said Section 2, was resulting, and threatened to continue to result in, the drainage of oil and gas from under the plaintiff's said lands to its great loss and detriment. The lease between plaintiff and defendant dated February 8, 1922, of the aforesaid 1173-foot strip of Section 2, which said lease is hereto at-

tached, made part hereof, and marked exhibit No. 18, was executed at the same time that there was executed the lease referred to in paragraph 13 of the said amended bill, and made Exhibit A thereto; the location of the land embraced in the lease which is Exhibit 18 to this answer is indicated on the aforesaid plat (Exhibit No. 9 hereto) by the letter F; and the location of the land included in the lease the validity of which is assailed in the said thirteenth paragraph of the said amended bill, Exhibit G to said bill, is indicated on the said plat (Exhibit No. 9 hereto) by the letter G.

In addition to accepting and retaining the aforesaid quitclaim deed, plaintiff has received, accepted and retained the royalties reserved in the said two last mentioned leases, in accordance with the terms thereof, and still continues to receive and retain the same; the said leases were, as heretobefore averred, authorized by the said Secretary of the Navy, and all operations thereunder have been with his full knowledge and approval, and for the benefit of the plaintiff and of its navy.

The said leases, their terms and the circumstances under which and the purposes for which they were entered into by the plaintiff were made known by the Secretary of the Navy to the Secretary of the Interior, to the Congress of the United States and to the President of the United States nearly two years prior to the institution of this suit by the filing of the original bill of complaint herein, prior to which filing there had been no demand made upon this defendant by the plaintiff in respect of said leases except for the carrying out by the defendant of its obligations under the terms thereof, and the said leases had not been made the subject of attack, complaint or criticism, nor had this defendant been informed by the plaintiff or any of its departments that they were considered by the plaintiff as other than valid and unexceptional.

Except insofar as they are consistent with the facts as they are in this paragraph 13 of this answer set forth, defendant denies all of the allegations of fact contained in the thirteenth paragraph of the plaintiff's amended bill of complaint. Defendant is advised by

counsel and therefore avers that it is not called upon to deny or affirm the legal conclusions set up in the said thirteenth paragraph of said amended bill. Defendant denies that the leases referred to in the said paragraph, or any of them, were or are void or voidable, and inoperative, but on the contrary asserts that the same were and are, and each was and is, valid and binding upon plaintiff and defendant.

14. Defendant admits the allegations of paragraph 14 of said bill, reserving the right to exhibit the original of the consolidated lease therein referred to for certainty as to the provisions thereof; and defendant alleges that the said consolidation was made with the approval of the plaintiff's Secretary of the Navy.

15. Defendant is advised by counsel and therefore avers that all of the statements of paragraph 15 of plaintiff's amended bill of complaint herein are conclusions of law and not allegations of fact and that it is therefore not called upon to admit or deny any of them. This defendant however does deny that any of the leases referred to in the said amended bill, or the assignment thereof, were void and inoperative as in said paragraph 15 alleged, and, on the contrary, avers that each and all of the said leases and assignments were and are valid, operative and binding upon the plaintiff and that the defendant is entitled to all of the rights granted it by the terms thereof.

16. Defendant admits that in accordance with the terms of the leases heretofore referred to it has entered into possession of the lands leased, has drilled wells thereon, has produced and is now producing oil and gas therefrom, and avers that all of this has been done under the supervision of plaintiff and that defendant has accounted to plaintiff for the oil and gas produced in strict accordance with the terms of said leases. Defendant further admits that it has been its intention, pursuant to its rights and obligations under said leases, to drill additional wells upon said tracts of land, either when so directed by plaintiff or when in its own judgment such action appeared necessary, but defendant hereby informs this honorable Court that since the institution of this suit it has not, except pursuant to agreement between

plaintiff and itself, and/or by authority of the court, drilled any wells in addition to those theretofore drilled upon said tracts of land, and that it has no intention of drilling additional wells upon said tracts of land pending the final disposition of this suit.

Defendant denies the allegations of the said sixteenth paragraph of the amended bill that its acts and operations are unauthorized and illegal and constitute a continuing or any trespass upon the property of the plaintiff, and on the contrary avers that all of its acts and operations have been legal, that it is occupying said tracts of land as of right and not as a trespasser, that it has at no time defrauded the United States of America as alleged in said sixteenth paragraph; and it again avers that the leases between itself and the plaintiff, hereinbefore fully described, were and are lawful and binding.

Except as hereinabove admitted defendant denies each and every allegation of fact contained in the sixteenth paragraph of the amended bill.

17. Defendant denies all of the allegations of paragraph 17 of the amended bill of complaint, and avers that it has rendered to the plaintiff, and the plaintiff has accepted, and still continues and is continuing to accept, full and complete accounts of the properties, oils, gas, gasoline and moneys to which the plaintiff is entitled under the leases between it and defendant; and the plaintiff has accepted, and still continues and is continuing to accept, the royalties, bonuses, oils, gas gasoline, money, and property of every kind and description, shown to be due it by the accounts so rendered as aforesaid.

18. Defendant denies that the said leases, or any of them, are unlawful and void for the reasons alleged in paragraph 18 of the amended bill, or for any reason whatsoever. The defendant reasserts, in answer to said paragraph, the validity of said leases and each and all of them.

19. Defendant denies the allegations of paragraph 19 of the amended bill of complaint.

20. Further answering the said amended bill of complaint, this defendant avers that prior to the commencement of this action, and ever since, pursuant to the obligations of the leases the validity of which is attacked by said amended bill, and copies of which are annexed thereto as Exhibits B, C, and D, thereof (and which are hereby made a part of this answer as fully as if set forth herein at length), it had, and it has, advanced and expended upon properties covered by the said leases large amounts of money in the exploration and development of, and in the making of useful improvements upon, the properties described in the amended bill, such improvements consisting of the drilling and equipment of oil wells, furnishing, and erection of all the usual facilities, equipment and appurtenances requisite and necessary to the production and handling of petroleum and its products of the said lands pursuant to the terms of

said respective leases.

That all of the said sums of money were advanced and expended by this defendant in good faith and under advice of counsel under the supervision of the plaintiff's representatives and for the purpose of complying with the obligations and duties assumed by this defendant and in the belief that the said leases were and are in all respects valid, legal and enforceable instruments as between the plaintiff and this defendant.

That all moneys advanced by this defendant for the purposes aforesaid represented the actual and reasonable cost thereof and that all of the said wells, facilities, equipment and appurtenances were thus provided upon plaintiff's properties covered by the said lease and were and are of the reasonable and fair value of all sums expended therefor and were worth the said sums to the said plaintiff, and that the plaintiff has, by reason of the foregoing facts, been benefited and enriched by the said defendant in the full amount of all of the said sums thus expended, for all of which this defendant is entitled to be reimbursed by the plaintiff.

That for all of the foregoing and other proper disbursements this defendant, unless protected by your honorable Court, will have no complete, adequate, practical and efficient remedy at law; and this defendant, again reiterating that the plaintiff has no cause of action whatsoever against this defendant, nevertheless respectfully submits to your honorable Court that full payment of all sums advanced and disbursed by this defendant as aforesaid, and of any other sums which this defendant may hereafter advance in connection with the operations under the said leases and each of them, should in any event be required to be made or provided for by the plaintiff to this defendant as a condition precedent to the granting of any relief whatsoever to which the plaintiff may show itself to be entitled herein.

SECOND DEFENSE

Further answering, and by way of a second defense to the cause

of action set forth in the said amended bill of complaint, this defendant alleges:

1. That prior to March 4, 1921, it had been determined by the Navy Department of the United States and the then Secretary of the Navy, Josephus Daniels, that large and increasing losses were being sustained by the United States to its Naval Petroleum Reserves Nos. 1 and 2 in California by reason of the drilling and operation of oil wells upon privately owned lands both inside and immediately outside of the exterior boundary of said Reserves.

The odd numbered sections in Naval Petroleum Reserve No. 2 were in private ownership and had been largely drilled and were being operated, and numerous leases had been granted and wells drilled and operated under the so-called Leasing Act of February 25, 1920, upon lands both inside and immediately outside of said Reserve, and as a result thereof the remaining lands in said Reserve No. 2 were not only being rapidly drained of their oil and gas content, but the gas pressure, which is a vitally important and necessary factor in obtaining oil production, was being so reduced that immense losses had already been sustained and unless steps were taken immediately, continuing losses in the recovery of the oil would result. At the same time, intensive drilling in the Elk Hills district, immediately adjacent to a portion of Naval Petroleum Reserve No. 1, had been manifestly draining the oil content of said Reserve No. 1, to wells drilled on patented lands and under private ownership, and the gas pressure, so important in the production of oil, was also being rapidly depleted.

In view of these facts, and especially the acute condition existing as aforesaid in the Elk Hills district, the then Secretary of the Navy, Josephus Daniels, with the approval of the then President of the United States, Woodrow Wilson, planned the immediate drilling of wells along the north line of said Naval Reserve No. 1 as off-setting wells.

It was proposed and undertaken to procure these wells to be drilled by private parties under lease and this method was in process of being carried out on March 4, 1921, and was actually carried out promptly

by the succeeding administration under the authority of Edwin Denby, Secretary of the Navy.

Intensive drilling upon said off-set line wells was immediately begun and it was found when said wells were brought in as producing wells that the drainage of oil to the aforesaid patented lands and the reduction of the gas pressure on that portion of the field had enormously reduced the initial production of the new wells so that it was estimated that there was a loss to the United States from these sources of many millions of dollars.

The Navy Department was devoid of any skilled or trained bureau or body of special employees who could handle quickly or effectively the problems presented in protecting these Naval Petroleum Reserves Nos. 1 and 2 against the enormous losses which had already occurred and which were continually increasing, or even to make a careful study of the facts from a scientific standpoint to determine what steps should be taken and at what time. No specific appropriation had been made for the creation of such a bureau in the Navy Department and it would have required a period of many months to organize any such bureau.

On the other hand, enormous areas of government land were being administered by the Secretary of the Interior of his department, under the socalled Leasing Act of February 25, 1920, including oil leases in said Naval Reserves, and the government lands adjacent to but outside of said reserves. The Interior Department was thoroughly equipped to handle all these matters quickly, scientifically and economically. It not only had the benefit of the records of the General Land Office covering all these lands and adjacent lands, but it had the Bureau of Geological Survey and especially the old and well established Bureau of Mines (both organized under the laws of the Congress of the United States,) the latter of which had created a Petroleum Division having special charge of all matters relating to oil and gas. In this division, there were at least one hundred and fifty employees who were engaged in work in connection with leasing oil lands and handling the administrative details with respect to such leases, and in the technical work of studying all available facts with reference to the oil and the oil development of

the entire territory. Thus a body of trained experts who already were fully equipped to handle the problems and protect the interests of the United States in Naval Petroleum Reserves, and who were already familiar with the existing conditions in Naval Petroleum Reserves 1 and 2 in California, existed and was fully functioning in the Department of the Interior, and these facts were well known to the Secretary of the Navy and his assistants.

Under these conditions, Edwin Denby, as Secretary of the Navy, determined that it would be useless waste and duplication to undertake to create a technical petroleum bureau in his department so long as such a bureau was successfully functioning in the Interior Department and had acquired so large an amount of useful experience and knowledge. Said Secretary of the Navy determined to take steps to avail himself of the services and organized forces of the Interior Department as his administrative agency in carrying out the details with reference to the Naval Petroleum Reserves, especially Reserves Nos. 1 and 2 in California. For this purpose he asked the President of the United States to make and issue the Executive Order referred to in the bill of complaint, which order was accordingly issued, and in the detail of the administration of said affairs under said order said Secretary of the Navy designated said Rear Admiral J. K. Robison as his representative, to keep in close touch with the Secretary of the Interior, and with the Bureau of Mines and the Petroleum Division thereof; and said Secretary of the Navy himself retained and exercised the authority of determining what policy should be pursued in handling and protecting the interests of the United States in said Naval Petroleum Reserves and in the oil and gas content thereof.

Upon information and belief, defendant alleges that for a long period of time prior to the execution of the leases referred to in said amended bill of complaint, it had been a recognized and well known custom among the several executive departments of the United States, including the Department of the Interior, the Department of the Navy and other departments, that in case one of said departments because of

special conditions, training and experience, or the existence of other facts which would make for efficiency or economy, was better equipped to carry out the administrative details upon any subject or project which had been committed to another department not so equipped, the department having such superior advantage and equipment could and did act for and under the general direction of the department under which the subject matter in question had been committed. This custom was and has been based upon the unity of the United States itself and the desirability of avoiding unnecessary duplication of bureaus, and at the same time taking advantage of superior facilities, training and skill as to administration details of bureaus already existing.

This defendant is informed and believes, and upon such information and belief, alleges that the facts that the custom aforesaid between departments had existed for a long period of time was well known to the Congress of the United States, and that no objection had ever been made to that method of securing an economical and efficient means of carrying out the purposes and objects to be accomplished. Under this custom and practice, which has long been continued, the department which furnishes the administrative services to carry out work primarily committed to another department or to the head of another department, has been treated and has become, to all intents and purposes with regard to the subject matter in question, a governmental agency of the department primarily charged with the duty in substantially the same way and to the same extent as though a new bureau were created within the department receiving the service.

This defendant further alleges upon information and belief, that the occasions and instances when the superior facilities, information or equipment of one executive department have been devoted to the use and service of another executive department as though the former were the agency of the latter, have, from time to time, been brought to the knowledge of Congress and have been fully acquiesced in and become a recognized and authorized inter-department practice.

Without again setting the same here, defendant repeats by reference its averments in its first defense above relating to the "Fuel Oil Office" established by the Secretary of the Navy; the designation of Admiral Robison as the said Secretary's representative; and the writing of the letter of October 25 and 29, 1921.

Prior to said letter of October 25, 1921, said Rear Admiral Robison, acting for the Secretary of the Navy, had investigated the conditions of said Naval Petroleum Reserve Nos. 1 and 2 and had conferred with the experts of the Interior Department, and especially of the Petroleum Division of said Bureau of Mines, and had concluded that the very first thing which required attention was to protect the lands in said reserves against further losses by drainage and by the reduction of the gas pressure. To accomplish this, it was decided to immediately lease the remaining lands in said Reserve No. 2, because it was impossible to save the oil in the ground and enormous losses had already occurred. It was thereupon definitely proposed by said Rear Admiral Robison that the first step in the Navy's program should be the leasing and immediate drilling of the remaining lands in the second Naval Reserve, and that steps should be taken at once for the protection of the lands along the boundaries of Naval Reserve No. 1.

Having reached these conclusions and having reported them to the Secretary of the Navy, and having fully discussed the tremendous amount of loss which had already occurred and the losses which were threatened, the aforesaid letter of October 25, 1921 was sent by the Secretary of the Navy to the Secretary of the Interior.

Thereafter, and at the times and in the manner alleged in paragraphs 11 and 13 hereof, the leases referred to in said amended bill of complaint (copies of which are attached thereto as Exhibits "B", "C" and "D",) were made by plaintiff through its then Acting-Secretary of the Interior, at the request, and with the approval of the Secretary of the Navy, and for the benefit of plaintiff's Navy Department; all operations under said leases have been with the knowledge and approval of the Secretary of the Navy and all oil royalties yielded in accord-

ance with the terms of said lease hav been received by plaintiff and by it used for the direct, sole and exclusive benefit of its Navy Department.

In any event defendant alleges that the making of said lease and the terms and royalties therein provided were fully known to the Secretary of the Navy and all the officials in the Navy Department having anything to do with said subject matter, and a copy of said lease was in the hands of the Secretary of the Navy and on file in his Department immediately after the execution thereof.

That at the time of making and executing said lease, a public exigency existed, because of the facts set forth hereinabove in the first and in this second defense, requiring immediate action; that had time been then taken for advertising and competitive bidding, with all the attendant uncertainties and delays, great loss would have resulted to the plaintiff from drainage away of oil and release of necessary gas pressure.

Defendant further avers that in the circumstances and under the facts shown to the Court by the averment of this answer no advertisement for bids was required or was necessary in the interest of the Government prior to the entering into and executing of the aforesaid leases.

That upon the execution of said leases, and each of them, defendant immediately began the work of drilling wells pursuant to the obligations thereof and at great expense constructed roads, brought in water lines and gas lines, and brought upon said property large amounts of expensive, bulky and heavy materials, and advanced and expended upon the properties covered by said leases, large amounts of money in making useful improvements on said properties belonging to plaintiff, such improvements consisting of the drilling and equipment of oil wells, the erection of structures, pipe lines and tanks and other equipment and appurtenances, and in the creation of other facilities which were necessary in order to produce and handle petroleum produced from said lands pursuant to terms of said leases.

That all of said work was openly and notoriously done and with the full knowledge of the Congress and the President of the United States, the Secretary of the Navy, and any and all other officers and officials of the United States concerned in any manner with the administration of said Naval Petroleum Reserve No. 1 or the oil content thereof.

That all of said sums of money were advanced and expended by defendant in good faith, and under the advice of counsel, and under the supervision of plaintiff's representatives and for the purpose of complying with the obligations and duties assumed by defendant, in the belief that said leases were in all respects valid, legal and enforceable instruments as between plaintiff and defendant.

Defendant further alleges that on or about April 21, 1922, in a joint written report to the Senate of the United States, the Secretary of the Navy, Edwin Denby, and the Acting-Secretary of the Interior, E. C. Finney, duly informed the Congress of the United States of the method under which the Naval Reserves were being handled and the action of the President of the United States in making the executive order referred to in said amended bill of complaint, and that the administrative details in reference to the leases were being carried out by the Department of the Interior at the request and under the direction of the Secretary of the Navy.

Thereafter, and while this defendant was engaged in extensive work at enormous expense in carrying out the terms and provisions of said leases, pursuant to a resolution adopted April 29, 1922, there was transmitted to the Senate of the United States a report of the Secretary of the Interior with copies of all documents, contracts and leases in any wise relating to said Naval Petroleum Reserve Nos. 1 and 2, and including said leases referred to in said amended bill of complaint, copies of which are attached thereto as Exhibits "B", "C", and "E", thereof. There was also transmitted by the President of the United States to the Senate of the United States, and spread upon its records, a full and detailed report made by Albert B. Fall, as Secretary of the Interior, addressed to the President of the United States, and containing full information

of the principal facts and details with reference to the necessity for protecting the oil and gas content of the several naval reserves, (including Naval Petroleum Reserve No. 1) by the drilling of wells and the leasing of said lands, and setting forth in detail the plan under which said Naval Reserve No. 1 was being handled by the Interior Department in conjunction with the Secretary of the Navy and as an administrative agency and under the authority and direction of said Secretary of the Navy all as aforesaid. This report was made pursuant to Senate Resolution No. 282 and was transmitted to the Senate by the President of the United States under date of June 7, 1922.

In said letter of transmittal the President, Warren G. Harding, (quoting the last sentence of said letter,) said:

> "I think it is only fair to say in this connection that the policy which has been adopted by the Secretary of the Navy and the Secretary of the Interior in dealing with these matters was submitted to me prior to the adoption thereof and the policy decided upon and the subsequent acts have at all times had my entire approval."

2. From and after April 21, 1922, the Congress of the United States was fully informed, and had full notice and knowledge of the facts concerning the plan and arrangement under which the Interior Department was acting for and on behalf of the Secretary of the Navy with reference to the Naval Petroleum Reserves, and as the administrative agency of the Secretary of the Navy, and with reference to said executive order referred to in said amended bill of complaint, and as to the general plan and policy adoptedby the Secretary of the Navy as hereinbefore set forth. At least as early as on or about June 7, 1922, the Congress of the United States well knew and was fully notified in great detail of all of the transactions, executive orders, documents, letters, files, contracts and leases pertaining to said Naval Petroleum Reserve No. 1, and including the leases hereinbefore and in said bill of complaint referred to, (copies of which are attached to said bill of complaint as Exhibits "[illegible]", "[illegible]", and "[illegible]";) and all the matters in that behalf with reference to the handling and leasing of lands in said Naval Petroleum Reserve No. 1 (including the lands here in question,) were matters of common, public and

general knowledge immediately after June 9, 19[illegible], by reason of the publication under the authority of Senate Resolution 305 of 4000 additional copies of said message of the President of the United States of June 7, 1922, with the accompanying report from the Secretary of the Interior, and illustrations furnished in response to Senate Resolution [illegible].

And defendant further alleges that on July [illegible], 19[illegible], the three leases hereinbefore mentioned, (copies of which are attached to said amended bill of complaint as Exhibits "[illegible]", "[illegible]" and "[illegible]" thereof,) were consolidated into one lease, (a copy of which is attached to said amended bill of complaint as Exhibit "[illegible]" thereof,) but that such consolidation consisted merely in embodying in one document, instead of three separate documents, all of the terms, conditions and provisions in said original leases contained and did not in any manner change, alter or affect any of the rights or obligations of the parties to said original three leases.

And defendant further alleges that with full knowledge of all of the facts referred to in the amended bill of complaint concerning said executive order of May 31, 1921, and with full knowledge of the making and the execution of said leases by the United States as hereinbefore alleged, and with full knowledge of the terms and provisions of said leases, and each of them, and with full notice and knowledge of this defendant was then engaged in carrying out the provisions and requirements of said leases, and each of them, and in so doing was expending very large sums of money in work upon said lands and in the drilling for oil thereon, the plaintiff stood by and made no objection whatever to the carrying on of said work and the expenditure of said large sums of money for that purpose by this defendant, or to the development of said land for oil and gas, or to the extraction of oil and gas therefrom under and pursuant to the terms of said leases; and with full knowledge and notice as aforesaid plaintiff induced and permitted this defendant, under the active supervision and direction of the representatives of plaintiff, to drill and complete upon said land numerous wells, all covering a period of more than two years at an aggregate expenditure of a

large sum of money, to wit, more than $1,500,000.00 during all of which time this defendant made detailed reports to the representatives of plaintiff of defendant's operations upon said lands; and upon the completion of the respective wells defendant delivered to plaintiff a log of each such well, and thereafter made monthly reports of production and of royalty payable to plaintiff computed upon the production as provided in said leases, and all without any objection or adverse claim by or on behalf of plaintiff; and with full knowledge and notice of each and all the facts aforesaid, and under and pursuant to the terms and provisions of said leases, and each of them, and without any objection to defendant's operations thereunder plaintiff demanded, took, received, kept and retained the full monthly royalties payable by this defendant under and pursuant to the terms of said leases out of the oil and gas produced from said land by this defendant under said leases.

And after having been fully informed by the Secretary of the Navy and the Secretary of the Interior of the policy adopted with respect to the administration of the Naval Petroleum Reserves, and also after having been fully informed of the execution of said leases and assignments of leases and numerous other leases and assignments signed by E. C. Finney as Assistant and for Acting Secretary of the Interior, acting on behalf of the United States, and with full knowledge that work in the Department of the Interior with regard to the leasing of said lands for and at the request of the Secretary of the Navy aforesaid was being done and would be done by the Bureau of Mines of the Department of the Interior, the Congress of the United States for years 1923 and 1924 made specific appropriations for the expenses of said Bureau of Mines, and in the several Acts making such appropriations specified that said appropriations were to cover work done by the said Bureau of Mines with reference to the Naval Petroleum Reserves (Nos. 1, 2, and 3) and that the President of the United States with full knowledge of all of the facts signed said appropriation bills and the same thereupon became law.

And this defendant further shows the court and alleges that by reason of the facts hereinbefore in this defense set forth, the Secretary of the Navy fully authorized, procured and caused the making and execution of said leases referred to in said amended bill of complaint (Exhibit "B", "C", "E" and "F") and said assignment of lease, Exhibit D to said amended bill, and fully confirmed said leases and assignment thereafter and ratified and adopted the same in all respects and particulars to the same extent as though he had personally executed the same.

And this defendant further respectfully shows and alleges that this defendant has at all times prior to and since the execution of said leases, and each of them, in good faith believed that plaintiff had duly executed the same and that plaintiff was acting under and fully satisfied with the terms of said leases and each of them.

And defendant further alleges that by reason of all of the facts in this second defense set forth, the plaintiff has acquiesced in and fully ratified said leases, and each of them, (copies of which are attached to the amended bill of complaint as Exhibits "B", "C", "E" and "F") and wholly approved the execution of said leases, and each of them, by and on behalf of plaintiff; that said leases, and each of them, had become by reason of said acquiescence and ratification fully obligatory upon plaintiff long prior to the beginning of this action.

And defendant avers that all of the foregoing is likewise true as regards the assignment by said Kersey to it of the said lease of July 8, and December 14, 1921.

THIRD DEFENSE

For its third defense to the cause of action alleged in the amended bill of complaint this defendant alleges:

1. Defendant adopts and by reference makes a part of this paragraph, to the same extent as though herein again fully set out, each and all of the statements and averments contained in the second defense in this answer hereinbefore set forth.

8. The defendant, in addition to the foregoing, and by way of a third defense to the said cause of action, shows and alleges that at all times before and since the execution of said leases, and each of them, defendant in good faith believed that the making of said leases and the execution thereof by and on behalf of plaintiff, was duly authorized by plaintiff, and that said leases, and each of them, were not only at all times recognized and acted upon by plaintiff as obligatory upon it, but were entirely satisfactory in all of their terms and provisions, and were at all times valid, subsisting and binding obligations on plaintiff; and plaintiff during the entire period of time since said leases were made and executed, well knew that this defendant in good faith believed as aforesaid and that this defendant was at large expense acting upon the assurance and conduct of the plaintiff in full recognition of its obligations under said leases and each of them.

And defendant further respectfully shows and alleges to the court that with the full knowledge of all of the facts hereinbefore alleged and referred to and with full knowledge of the belief and reliance of this defendant upon said leases as aforesaid, plaintiff, by its said conduct and for its own benefit and advantage, induced the defendant to devote its trained organization and the services of its skilled and experienced superintendents and employees to the drilling of wells upon said land, and the production of petroleum therefrom; and that as a result thereof this defendant, in full reliance upon the validity of the obligations of plaintiff under said leases, and each of them, and pursuant to the terms of said leases, and in the carrying out of the letter and spirit of the obligations of the lessee under said leases, drilled and completed numerous wells upon the lands covered by said leases; and that the rights and interests of the plaintiff for protection of said land and of the oil contents thereof, and of said Naval Petroleum Reserve No. 1 thereby were and have been fully preserved and protected against certain and well recognized losses of enormous amounts, which plaintiff well knew would be unavoidably incurred if said wells were not properly drilled by this defendant in accordance with the terms of said leases.

and plaintiff with full knowledge of the foregoing facts has stood by not only without objection but actively insisting upon the prosecution and completion of such work, and has been for more than two years prior to and ever since the beginning of this action accepting and securing the benefits of the expenditures and risks of this defendant aforesaid.

3. Defendant further respectfully shows to the court and alleges that by reason of the facts hereinbefore in this defense alleged long before the beginning of this action, (and even if the execution of said leases on the part of the United States of America, copies of which are attached to the amended bill of complaint as Exhibits "B", "C", "D" and "F", should be found to be unauthorized because of any lack of authority by E. C. Finney, First Assistant Secretary of the Interior, to make or execute the same for or on behalf of plaintiff, which defendant, however, does not admit but expressly denies,) the plaintiff became and was fully estopped to deny that said leases, or any of them, were duly made and executed by and on behalf of the United States of America, under due and lawful authority for that purpose, and became and was fully estopped to deny that said leases, or any of them, were or at any time since their execution have been binding and obligatory upon the parties thereto.

FOURTH DEFENSE

Further answering and for its fourth defense to the cause of action alleged in the amended bill of complaint, defendant alleges:

1. Defendant adopts and by reference makes a part of this paragraph, to the same extent as though herein again fully set forth, each and all of the statements and allegations contained in the second defense and in the third defense hereinbefore set forth in this its answer.

2. Defendant, in addition to the foregoing, for its fourth defense to the said cause of action, respectfully shows and alleges that long prior to the filing of the original bill of complaint herein

and on, to wit, the 24th day of January, 1924, the said Edward L. Doheny, mentioned in said original and in said amended bills of complaint, who was on said 24th day of January, 1924, and for some time prior thereto and who has ever since been, Chairman of the Board of Directors of defendant, voluntarily appeared before the Committee on Public Lands and Surveys of the United States Senate, 68th Congress, First Session, and there publicly stated to that Committee, and through it to the Congress of the United States, that on November 30, 1921, he had loaned to the said Albert B. Fall, referred to in said bill of complaint, the sum of $100,000 and had received from said Albert B. Fall his promissory note to the order of said Doheny bearing date November 30, 1921, payable on demand for the said sum of $100,000; and then and there the said Doheny fully stated all of the facts relating to the said transaction and the circumstances in which and the manner in which it was carried on; and thereafter, on the 1st day of February, 1924, the said Doheny again voluntarily appeared before the aforesaid Committee of the Senate and made a further statement with respect to said loan and produced a part of the aforesaid note and left the same with said Committee as an exhibit to the hearings which said Committee was then and there conducting, complaint to resolutions of the Senate of the United States theretofore adopted, and publicly informed the said Committee, and through it the Congress of the United States, that the same note had been torn in two parts, and related to said Committee all of the facts regarding the separation of said note into two parts, and stated then and there what had been done with so much of the said note as the said Doheny did not at the time present to said Committee; all of which will fully appear by a reference to the official printed reports of the hearings conducted as aforesaid by the said Committee on the said 24th day of January and the said 1st day of February, 1924, which reference the defendant hereby makes and prays that the Court shall refer to, and read and consider the said report of the said hearings with the same force and effect as if the same were set forth fully herein. Upon information and belief defendant avers the facts stated by said Doheny, reported as aforesaid to be true.

And defendant further alleges that from and after January 24, 1924, and February 1, 1924, the Congress of the United States, and all of the officials and officers of the United States having any authority or duty in respect of or in any way concerned with the aforesaid naval petroleum reserves, had full knowledge of the facts relating to the transaction involving the sum of $100,000 between the said Fall and the said Doheny now relied upon by the plaintiff to support the attack on the validity of the aforesaid leases made in this suit. And this defendant further alleges that thereafter in the month of February, 1924, the Congress of the United States adopted a certain joint resolution, approved, after its passage by both houses of the said Congress, by the President of the United States on the 8th day of February, 1924, which said joint resolution (S.J.Res. 54; Public Resolution No. 4, 68th Congress) is as follows:

"Joint Resolution Directing the President to institute and prosecute suits to cancel certain leases of oil lands and incidental contracts, and for other purposes.

"Whereas it appears from evidence taken by the Committee on Public Lands and Surveys of the United States Senate that certain lease of Naval Reserve numbered 3, in the State of Wyoming, bearing date April 7, 1922, made in form by the Government of the United States, through Albert B. Fall, Secretary of the Interior, and Edwin Denby, Secretary of the Navy, as lessor, to the Mammoth Oil Company, as lessee, and that certain contract between the Government of the United States and the Pan American Petroleum And Transport Company, dated April 25, 1922, signed by Edward C. Finney, Acting Secretary of the Interior, and Edwin Denby, Secretary of the Navy, relating among other things to the construction of oil tanks at Pearl Harbor, Territory of Hawaii, and that certain lease of Naval Reserve numbered 1, in the State of California, bearing date December 11, 1922, made in form by the Government of the United States through Albert B. Fall, Secretary of the Interior, and Edwin Denby, Secretary of the Navy, as lessor, to the Pan American Petroleum Company, as lessee, were executed under circumstances indicating fraud and corruption; and

"Whereas the said leases and contract were entered into without authority on the part of the officers purporting to act in the execution of the same for the United States and in violation of the laws of Congress; and

"Whereas such leases and contract were made in defiance of the settled policy of the Government, adhered to through three successive administrations, to maintain in the ground a great reserve supply of oil adequate to the needs of the Navy in any emergency threatening the national security

Therefore be it

"Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the said leases and contract are against the public interest and that the lands embraced therein should be recovered and held for the purpose to which they were dedicated; and

"Resolved further, That the President of the United States be, and he hereby is, authorized and directed immediately to cause suit to be instituted and prosecuted for the annulment and cancellation of the said leases and contract and all contracts incidental or supplemental thereto, to enjoin the further extraction of oil from the said reserves under said leases or from the territory covered by the same, to secure any further appropriate incidental relief, and to prosecute such other actions or proceedings, civil and criminal, as may be warranted by the facts in relation to the making of the said leases and contract.

"And the President is further authorized and directed to appoint, by and with the advice and consent of the Senate, special counsel who shall have charge and control of the prosecution of such litigation, anything in the statutes touching the powers of the Attorney General of the Department of Justice to the contrary notwithstanding.

"Approved, February 8, 1924."

And defendant respectfully shows to the Court that the leases involved in this suit, Exhibits A, B, C, D, E and F to the amended bill of complaint, were not referred to, condemned, denounced, repudiated, criticized, or disapproved in and by the said resolution, or by the Congress of the United States at the time of the passage of the resolution or at any time theretofore or thereafter, but that, on the contrary, with full knowledge of all of the facts relating to all of the leases theretofore executed for lands in the naval reserves of the United States, including the leases in the aforesaid resolution mentioned, and includin the leases referred to in the amended bill of complaint in this suit, the Congress of the United States expressly elected to disapprove and repudiate the leases mentioned in the aforesaid resolution and to impliedly confirm, ratify and approve the leases referred to in and appended as exhibits to the said amended bill of complaint.

3. Defendant further alleges that subsequent to all of the occurrences hereinbefore in this answer shown, on March 17, 1924, plaintiff instituted in this Court a suit in equity entitled United

States of America, plaintiff, vs. Pan American Petroleum Company (this defendant) and Pan American Petroleum & Transport Company, defendants, which said cause is known and referred to on the dockets of this Court as No. B-100-M, in equity, in which plaintiff expressly alleged that the leases and contracts referred to in the above quoted joint resolution of the Congress of the United States, and attached as exhibits to the original and amended bill of complaint in said cause of action, were the leases and contracts to obtain which said Doheny had paid to said Fall the sum of $100,000 on the said 30th day of November, 1921, and were the contracts which the said Fall and the said Doheny had confederated, combined and conspired to obtain from the plaintiff for the defendants named in said suit, including, as aforesaid, this defendant. Defendant by reference refers to, makes a part hereof, and prays that the Court will read as though fully set forth herein, the original and the amended bills of complaint filed by the plaintiff in the aforesaid suit in this paragraph mentioned. Defendant avers that as will be shown by an inspection of the pleadings and a consideration of the issues in said suit filed March 17, 1924, plaintiff did not, although then aware of all of the facts now relied upon by it, claim or aver that the leases involved in this its present action were procured as a result of the aforesaid alleged payment of the aforesaid alleged conspiracy or wrongful agreement, but, as hereinbefore stated, limited its said charges to the two leases and two contracts attached in that suit.

FIFTH DEFENSE

Further answering, and by way of fifth defense to the cause of action set forth in the amended bill of complaint, defendant alleges:

1. In lieu of motion to dismiss or demurrer to said amended bill of complaint, this defendant says the said bill is bad in substance for the reason that the facts set forth therein are insufficient to constitute a valid cause of action in equity against this defendant; that the plaintiff had neither paid nor tendered to this defendant prior to the filing of said bill of complaint nor has it in the said bill of complaint offered or tendered to this defendant the sums of money and the quitclaim deeds and other documents which this defendant was and is justly

and equitable entitled to by reason of the matters and things herein set forth; that the plaintiff has not by its bill of complaint herein offered to do equity in the premises; and that the said bill of complaint is without equity.

And having fully answered the bill of complaint in this cause, the defendant prays

(1) That the said bill of complaint be dismissed with costs.

(2) That if the above prayer be not granted, then that no relief be accorded to the plaintiff against this defendant, except upon condition that the said plaintiff shall permit this defendant to continue to operate under and enjoy such benefits and privileges as may have been created by the leases attached to the bill of complaint herein until this defendant shall have been reimbursed for all amounts which may be due to it by reason of each and every matter and thing hereinbefore set forth, whether accruing prior or subsequent to the commencement of this action; or until plaintiff shall have otherwise fully reimbursed this defendant in respect to each and every of these said matters and things and shall have done all things required by equity and good conscience; and that the amount of the balance to which this defendant is thus entitled be ascertained by the taking of a statement of account before a Master pursuant to the customary practice of this Court.

(3) That this defendant have such other and further relief as may be just and equitable.

PAN AMERICAN PETROLEUM COMPANY

By CLIFF [illegible], Jr.

CHARLES E. [illegible]

[illegible]
Solicitors for the Pan American Petroleum Company, Defendant.

Los Angeles, California,
September 30, 1927.

STATE OF CALIFORNIA,)
) SS
COUNTY OF LOS ANGELES.)

J. C. ANDERSON, being duly sworn, says:

That he is the President of the PAN AMERICAN PETROLEUM COMPANY, a corporation duly incorporated, organized and existing under and by virtue of the laws of the State of California, and the defendant in the above entitled action, and makes this affidavit for and on behalf of said corporation; that he has read the foregoing answer and knows the contents thereof and that the same is true of his own knowledge except as to matters which are therein stated on his information or belief and as to those matters that he believes it to be true.

J. C. ANDERSON

COPY

SUBSCRIBED AND SWORN to before me
This 28th day of September, 1927.

COPY

F. L. O'NEIL
Notary Public in and for the County
of Los Angeles, State of California.
My commission expires June 6, 1928.

(Notarial Seal)

Squire, Sanders & Dempsey
Counsellors at Law
The Union Trust Building
Cleveland

Cable Address Squiresand

OFFICE OF THE
RECEIVED
DEC 26 1929
ATTORNEY GENERAL

December 24, 1929.

RECORD
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DEPARTMENT OF JUSTICE
FILES AND FILES DIVISION
LANDS DIV.
DEC 31 1929

In re: United States vs. Pan American
Petroleum Company B-115 M

Honorable William D. Mitchell,
Attorney General,
WASHINGTON, D.C.

Dear Mr. Attorney General:

This case was called for trial at Los Angeles on December 2, 1929, and we concluded the taking of the testimony on December 17th. Mr. Thomas M. Kirby and I returned to Cleveland Sunday night, December 22nd. Mr. Frank Harrison will return today.

The case was tried before Honorable Frank H. Norcross, United States District Judge for the District of Nevada. On the application of the solicitors for the defendant, with our approval, the filing of briefs and the oral argument were postponed. The government was given thirty days within which to file its brief, the defendant thirty days thereafter to file their brief, and the government twenty days thereafter to file a reply brief. The oral argument was fixed tentatively for April 15th at Carson City, Nevada.

Briefly stated there were eight several defenses. Reduced to their final analysis the defendants deny that there was any fraud involved in these leases; deny their illegality; plead ratification by the Congress of the United States and the Executive Departments on the ground that both Congress and the executive branches of the government were fully advised as to the various leases, and that after being so advised the Congress passed a joint resolution authorizing the appointment of special counsel to set aside the leases and contracts involved in the first Pan American case, but said nothing with respect to the E. G. & I. Leases in Naval Petroleum Reserve No. 1, which are involved in the instant case, and thereby having full knowledge of the premises and having failed to take any action with respect to the E. G. & I. Leases impliedly ratified the same.

This defense is evidently based upon the opinion of the United States Circuit Court of Appeals in the case of United States vs. The Belridge Oil Company, affirming the District Court, but it will be remembered that the court expressly stated in that case that there was no element of fraud alleged or proven by the government.

Again the solicitors for the government invoke the doctrine of split cause of action. They claim that the cause of action in the first and second cases are one and the same. They allege that if the government had any ground for relief as to the leases involved in the second case it should have been included in the first case; that the first case has been adjudicated, is unreversed and satisfied, and therefore we can not maintain the instant case.

Squire, Sanders & Dempsey

Our position in brief is that the first case involved certain leases and contracts made on certain dates and that the E. G. & I. Leases were entirely separate instruments made on other and different dates. In other words the several causes of action are entirely distinct, the one from the other, and the adjudication in the former case can not be pleaded as res adjudicata in this case. We are confident our position is right.

They also claim that the loan of $100,000 by Doheny to Fall on November 30, 1921, related, if at all, to the leases and contracts already set aside and bore no relationship to the E. G. & I. Leases. It will be remembered, however, that the contracts and leases involved in the first case were executed as follows:

Contract	April 25, 1922;	Lease	June 5, 1922;
Second Contract	Dec. 11, 1922;	Second Lease	Dec. 11, 1922.

The leases involved in the instant case were executed as follows:

1. to Pan American, December 14, 1921;

2. to United Midway Oil Land Company, December 14, 1921;

3. to Pan American Petroleum Company, February 8, 1922.

We will send you copies of our brief as soon as printed. Meanwhile, of course, we will welcome any suggestions you may have to make.

Very sincerely,

AP:FW

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IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE SOUTHERN DISTRICT OF CALIFORNIA, CENTRAL DIVISION

UNITED STATES OF AMERICA, Plaintiff,	
vs.	No. B 115 M In Equity.
PAN-AMERICAN PETROLEUM COMPANY, a corporation, Defendant.	

OPINION AND DECISION

SAMUEL W. McNABB,

United States Attorney for the Southern District of California.

ATLEE POMERENE,
THOMAS M. KIRBY,
FRANK HARRISON,

Special Assistants to the Attorney General of the United States,

For Plaintiff.

T. T. C. GREGORY,

GIBSON, DUNN & CRUTCHER,

By NORMAN S. STERRY,

For Defendant.

8

NORCROSS, District Judge:

This is a suit in equity to cancel three certain leases of land within United States Naval Reserve Number One in Kern County, California, and for an accounting of the oil and gas produced therefrom. A fourth lease is involved by reason of being a consolidation of the other three. Two of the three original leases were granted directly to defendant, the other to W. R. Ramsey and by him conveyed to defendant.

The leases cover a portion of sections 1 and 2, township 31 south, range 24 east, and have a combined total acreage slightly in excess of that of a section of land. The leases were referred to upon the trial and are so designated in the briefs as the "E", "G" and "I" leases, and will be so referred to in this opinion. The two leases in section 1 are of date December 14, 1921. The "G" lease in section 2 is of date February 8, 1922. The consolidated lease is of date July 28, 1922.

For a more general description of the leases in question it may be said that the "G" lease covers substantially the south half of the north half of section 2; the "I" lease the south half of the northwest quarter of section 1 and the "E" lease the south half and a portion of the south half of the north half of section 1. The leases are immediately south of three offset leases owned by defendant designated as the "F", "H" and "D" leases, covering a strip nine hundred feet wide along the north line of sections 1 and 2 and bordering on sections 35 and 36 in township 30, which latter sections are without the Reserve and are the property of the Standard Oil Company of California. The "F" and "D" leases were granted originally to defendant. The "E" lease was granted to the United Midway Oil Company and by it conveyed to W. R. Ramsey who conveyed it to defendant at the time of his conveyance of the "I" lease. The "F", "H" and "D" leases are not and have not been questioned in this or any other suit.

Plaintiff bases its right of recovery on grounds both of fraud and illegality. It is the contention of the Government that the said leases are tainted with the same fraud considered and determined by this court in the case of United States v. Pan American Petroleum Co., 6 Fed. (2d) 43, as affirmed on appeal in 9 Fed. (2d) 761, and 273 U. S. 456. The case last cited upon the trial and in the briefs has been referred to as the first Pan American case, and will be so referred to in this opinion.

In the case of the "I" lease it is further contended that it was also the result of a subsidiary conspiracy between W. R. Ramsey and defendant; and in the case of the "G" lease of a similar subsidiary conspiracy between R. J. White and H. T. Coffin and defendant.

With respect to illegality it is plaintiff's contention that neither the Secretary of the Interior nor the Secretary of the Navy had authority to make any such leases for the purposes for which the leases in question were made, and in the way they were made.

The defenses relied upon may be summarized as three:

(1) That the leases in question were not given as a result of or in any way influenced by fraud or conspiracy to procure them.

(2) That the leases have been ratified by Congress.

(3) That the judgment in the first Pan American case was upon the same cause of action alleged in this suit, and a bar to recovery by plaintiff in this action.

The issues in respect to fraud, actual or constructive, growing out of the transactions between Albert B. Fall as Secretary of the Interior, and Edward Doheny, then President of the defendant company, as determined in the first Pan American case, in so far as they may have application, are recognized by the parties to this suit as res adjudicata. It will be unnecessary therefore to make other than a brief reference to that case as the facts presented and law controlling are fully set out in the findings and opinion of the trial court and in the opinions of the appellate courts cited

supra. Suffice it now to say that the said first Pan American case was instituted in this court by bill of complaint filed March 17, 1924, by special counsel appointed by the President and confirmed by the Senate, in pursuance of Public Resolution No. 4 of the 68th Congress, approved by the President February 8, 1924 (43 Stat. 5). That action was brought to set aside two contracts and two leases, which leases were dated respectively June 5 and December 11, 1922, and covered the major portions of Naval Petroleum Reserves Nos. 1 and 2, and embraced a total of approximately 32,000 acres. That case was tried in October, 1924, and reached final decision by the Supreme Court of the United States on February 28, 1927.

The present suit was commenced on September 3, 1924, by direction of the Attorney General following a letter of the then Secretary of the Navy Curtis D. Wilbur to the then Secretary of the Interior Hubert Work, and by the latter referred to the Attorney General. The original bill of complaint filed sought to cancel the three leases upon the ground that they had been executed by the Department of the Interior instead of the Navy Department, and had not been granted as a result of competitive bidding. To the original bill defendant filed an answer in which in addition to controverting certain allegations, set up as an affirmative defense that the leases had been ratified and approved by Congress. Subsequent to the final decision by the Supreme Court of the United States in the first Pan American case and the final termination of the case of United States v. Belridge Oil Co., 13 Fed. (2d) 562, by denial of certiorari by the Supreme Court November 29, 1926, 273 U. S. 733, the plaintiff, on July 28, 1927, filed an amended bill of complaint wherein for the first time it was charged that the three leases here in question were given as a part of and subject to the same fraud found in the first Pan American case. Defendant filed its answer to the amended bill on September 26, 1927, denying the existence of fraud in the making of the leases, and as affirmative defenses setting up ratification by Con-

gress and that plaintiff had split its cause of action.

It was stated at the trial and restated in the briefs for defendant, that subsequent to filing the answer to the amended bill there was a change of stock ownership of defendant company, the Doheny interests being purchased by the Richfield Oil Company of California. This stock transfer was followed by a change in attorneys representing defendant. It is not, however, contended that the change in stock ownership affects the issues in any way.

By stipulation of counsel the evidence and proceedings in the first Pan American case are to be considered in this case; also that the evidence taken before the Supreme Court of the District of Columbia upon the trial of Fall and Doheny for conspiracy, and evidence taken on hearings before the Senate Committee on Public Lands investigating the matter of the Naval Petroleum Reserves, in so far as pertinent to the issues in this case and offered by either party, is to be considered in determining the issues involved in this case.

For a proper understanding of the questions presented it is important to consider the history of the "F", "H" and "D" leases as well as those now involved, together with a brief reference to the establishment of the Naval Petroleum Reserve No. 1, and certain acts of Congress and official action taken by department heads concerning its administration. In this connection consideration must be given to certain mining locations made, or attempted to be made, on sections 1 and 2 prior to the withdrawal of lands within the Reserve and the creation thereof.

On September 27, 1909 the Secretary of the Interior withdrew from entry certain supposedly oil lands subject to existing mining claims or locations.

By act of Congress of June 25, 1910 express power was conferred upon the President to make such withdrawals. On July 2, 1910, the President confirmed the prior action of the Secretary of the Interior.

On September 2, 1912, President Taft created Naval Reserve No. 1 in California "subject to valid existing rights."

On February 12, 1920, Standard Oil Company brought in its first well on section 36, just outside the Reserve, with an initial daily production of 5,359 barrels. This was followed by the rapid drilling of two rows of wells, 18 in number, across the entire south boundary of the section.

By act of Congress of February 25, 1920, what is commonly known as the General Leasing Act, became a law empowering the Secretary of the Interior to grant leases upon mineral lands. By section 18a the President was authorized to compromise claims based on placer locations made prior to the establishment of Naval reserves, the validity of which claims were in question.

On March 5, 1920, Secretary of the Navy Daniels addressed a letter to the Chairman of the House Naval Committee in which he called attention to certain provisions of the said Act of February 25, 1920,- and stated: "Under the provisions of this Act considerable areas of the petroleum reserves will come into the undisputed possession of the Navy. Some of these tracts are drilled to such an extent that it will be necessary for the Government to drill offset wells unless oil to the value of millions of dollars is to be drawn from under the Government lands by private owners. *** It, therefore, becomes imperative, even when viewed from an economic standpointonly, that machinery be provided whereby wells may be drilled for protection against drainage from adjacent lands, or to supply oil for the Government's needs." *** "It is suggested that this may be accomplished by an addition to the provision 'Investigation of fuel oil', as contained in the Naval Appropriation Act, approved July 11, 1919, similar to the following:

"That the Secretary of the Navy is directed to take possession of all properties within the naval petroleum reserves as are or may become vested in the United States; to conserve, develop, use, and operate the same in his discretion, directly or by contract, lease or

otherwise, and to use, store, exchange, refine, sell or otherwise dispose of the oil and gas products thereof, and those from all royalty oil, for the benefit of the United States."

A consideration of the suggestions of Secretary Daniels resulted in the Act of Congress of June 4, 1920, containing the following provision:

"That the Secretary of the Navy is directed to take possession of all properties within the naval petroleum reserves as are or may become subject to the control and use by the United States for naval purposes, and on which there are no pending claims or applications for permits or leases under the provisions of an Act of Congress approved February 25, 1920, or pending applications for United States patent under any law; to conserve, develop, use and operate the same in his discretion, directly or by contract, lease, or otherwise, and to use, store, exchange, or sell the oil and gas products thereof, and those from all royalty oil from lands in the naval reserves, for the benefit of the United States: and provided further, that the rights of any claimant under said Act of February 25, 1920, are not affected adversely thereby."

(U.S.C.A. Title 34, Sec. 524)

It will be observed that Congress by this Act modified the suggestions of the Secretary by excepting from the possession and control of the Secretary of the Navy those portions of the naval reserves on which there were "pending claims or applications for permits or leases" under the Act of February 25, 1920, "or pending applications for patent under any law", and providing further "that the rights of any claimant under the said Act of February 25, 1920, are not affected adversely thereby."

On May 31, 1921, the President issued an executive order putting the matter of leasing of lands within the Naval Reserves in charge of the Secretary of the Interior, the order making special reference to the Act of February 25, 1920. This order was held to be invalid in

the first Pan American case.

On April 14, 1921, Secretary of the Navy Denby called for "sealed proposals *** for a lease *** along the north side of section 1 *** nine hundred feet wide and to have drilled thereon twenty-two wells in two rows *** as rapidly as men, material and supplies can be obtained."

The defendant was found to be the highest and best bidder. Two leases were subsequently entered into in pursuance of such bid, - being the "H" and "D" leases hereinbefore referred to.

While the Pan American Company was the highest bidder for the lease on section 1, the "H" lease was made direct to the United Midway Oil Company for the following reasons: Prior to the withdrawal of the land within the Naval Reserve from entry and the establishment of such reserve the United Midway Company had filed notices of placer locations covering section 1 and section 12 to the south thereof, and had begun the drilling of a well for oil on section 12. Following an expenditure approximating $130,000, including drilling on section 12 to a depth of 4,856 feet, the efforts of the United Midway Company ended in a "dry hole."

On October 16, 1920, the United Midway Company filed with the Secretary of the Interior an application for a prospecting permit covering section 1 under the provisions of the General Leasing Act. This application was denied by Secretary Payne on November 8, 1920. On February 11, 1921, the United Midway Company made application to the Secretary of the Interior for a compromise of its claim under the provisions of section 18a of the General Leasing Act. In support of this latter application counsel for the Midway Company submitted a brief or argument in which, among other matters, attention was called to the Standard Oil Company's operations on section 36 to the north and the necessity for offset wells. This application was denied by Secretary Payne on February 24, 1921 by a letter stating in effect that while placer locations had been made prior to withdrawal, and expenditures

made as claimed, no discovery of oil or gas had been made, nor had work diligently been carried on from 1910 to that time. On the following day, February 25, 1921, the United Midway Company filed an application with the President for a compromise of its claim, which application was by the President referred to Secretary Payne, who on March 2, 1921, replied by reference to his said letter of February 24th.

Shortly following the change of administration on March 4, 1921, the United Midway Company made a request of Secretary Fall for favorable action upon its application for a compromise. Secretary Fall referred the matter to Assistant Secretary Finney, who on April 7, 1921, replied by letter from which the following excerpts are taken:

"Mr. McMurray has talked the matter over with me, pointed out the equities of his client, also pointed out that this section 1 adjoins on the south, section 36 owned by the Standard Oil Company, from which 40,000 barrels of oil per day are being produced, and that evidently a considerable part of this oil is coming from under section 1. Should it be determined that his client has equities which should be taken care of, three courses are possible: (1) to submit to the President an offer of compromise, which would involve giving a lease to the company of a part or all of the land in section 1; (2) eliminate said section from the Naval Reserve; (3) under the authority of a clause in the Naval Appropriation Act, copy attached, the Secretary of the Navy might permit the company to put down wells on the said section 1, as an offset to the wells on the Standard Oil section, upon such royalties as might be agreed upon. *** I am inclined to think that its equities might be recognized to the extent of authorizing it to drill a limited number of wells along the north line of section 1, on payment of the royalties fixed in the regulations. Our justification would be that it was an offset to drainage by the Standard. I think the Secretary of the Navy should be consulted, however, before any commitment is made."

Disposition of the requests or claims of the United Midway Company had not been made at the time bids were received for the drilling of offset wells along the northern boundary of section 1.

It appears that Secretary Fall called the attention of Mr. Doheny to the pending application of the United Midway, and suggested as a means of disposing of the same that the Pan American Company relinquish to the United Midway Company a portion of the lease on section 1 to which it wouldotherwise be entitled. The matter was taken up with the United Midway, and an agreement reached to the effect that the Pan American Company would release to it a portion of the offset lease for which the Pan American Company was the successful bidder, representing ground to be covered by eight wells. On July 8, 1921, Secretary Fall in a letter to the President reviewed the history of the United Midway claim, and recommended that it be compromised in accordance with the agreement made with the Pan American Company. The President approved. This accounts for the "H" lease being made direct to the United Midway.

SUBSIDIARY CONSPIRACY "I" LEASE.

W. R. Ramsey succeeded to the interests of the United Midway Company in the "H" lease, and associated with himself the Continental Asphalt Petroleum Company. The first wells brought in on the "H" lease were extremely disappointing to Ramsey and the Continental Company. Under the terms of the bid of the Pan American Company they were required to pay a royalty of 55½% of the oil produced. It cost about $75,000 to drill and equip a well. Ramsey and the Continental Company were under a bond of $50,000, with a guarantee that they would carry out the provisions of the lease. There is testimony to the effect that Ramsey and the officers of the Continental Company seriously considered that unless they could induce the Government to make a material reduction in royalties it would be more profitable to them to abandon the lease and forfeit the bond. Before taking up the matter

directly with the Government authorities, they proposed to the Pan American Company that it join in a similar request. Representatives of the two companies first presented the matter to Assistant Secretary Finney.

Edward C. Finney, Solicitor of the Interior Department and formerly Assistant Secretary of the Interior, testified for the plaintiff to the effect that some time between the middle and 22nd of November, 1921, Mr. Staggers, representing Ramsey and the Continental Company, and Mr. Cotter, representing the Pan American, called personally on him at his office at Washington, and stated that they had come to seek a reduction in royalties because their respective companies were losing money; that he told them that the royalties had been fixed upon competitive bidding and there were other bids of approximately the same amount, and that he did not think the Department would be warranted in giving any relief by reduction of royalty; that if they wanted a formal decision the thing to do was to file written applications; that upon the same or the following day he advised Secretary Fall of the visit of Staggers and Cotter, and that the Secretary agreed with the views he had expressed, but said that some relief in the way of additional leases might be considered.

A letter of date November 22, 1921, addressed to the Secretary of the Interior, signed by J. J. Cotter for the Pan American Company, referring to the situation respecting the "D" lease, among other matters stated:

"We have drilled upon this land two (2) wells which are producing by pumping 225 barrels each per day; we have drilling six (6) additional wells, several of which are nearing completion; and we have several more rigs up ready to commence work. Our expenditures on this land up to October 1st have been $540,000.00.

"At the time this lease was issued, every one concerned, including the Geological Survey and ourselves, expected that this would be large producing territory. The confident expectation, which was practically

accepted as a fact, that large flowing wells would be obtained on this land, was the only justification for the unprecedented royalty fixed in the lease. As justifying this expectation it may be stated that nine wells drilled by the Standard Oil Company along the South line of Section 36, adjoining our strip of land on the North, had an average initial production of 3,284 barrels per day, whereas these same nine wells now have an average production of 711 barrels per day, and five of them are producing from 240 to 330 barrels each per day, and another, string of nine Standard wells to the North of the row just mentioned had an average initial production of 2,511 barrels per day, which has now decreased to an average daily production of 465 barrels.

"The gas pressure in this land is gone, and instead of getting large flowing wells, the wells come in as moderate pumpers."

On November 23, 1921, a letter signed by Staggers as attorney was addressed to the Secretary of the Interior , stating among other matters that three of the eight wells had been completed, two were in course of drilling, and that grading and other preliminary work for the other three was finished; that there had been expended to date on the lease $322,674.00 not including prior expenditures, which if considered would make a total in excess of $500,000.00.

From the letter the following excerpts are quoted:

"Of the three wells we have completed, one is practically a dry hole. Our No. 2 well pumped 200 barrels when it came in ten days ago, and then sand trouble occurred. *** Our third well initial production is slightly over 200 barrels and will settle down to very much less than this.

"Our lifting cost *** is so great that we cannot commercially operate the lease and pump the oil at the existing royalty, much less can we ever hope to recover any of the large sums of money which we have expended in developing and drilling this property, and we earnestly petition your department for a prompt revision of our contract

based on equitable royalties. ***

"Three of the four wells of the Standard Oil Company offsetting our lease on the north, came in in excess of 5,000 barrels initial production. ***"

The letters on behalf of both the Continental and the Pan American Company requested reduction in royalties and made no mention of relief by leases of additional ground at reduced royalties.

The evidence discloses that a number of communications concerning the matter passed between representatives of Ramsey and the Continental Company and representatives of the Pan American Company, including a conference with Doheny. In so far as Ramsey and the Continental Company are concerned, they show nothing more than a desire upon their part to get whatever relief possible from the high royalties of the "H" lease and to that end sought and secured the co-operation of the Pan American Company regarded by them to be in a similar situation respecting its "D" lease.

Some question is presented in the record as to who first suggested the granting of additional leases instead of a reduction of royalties. Staggers in his deposition testified that he thought he was first to make the suggestion. While from Mr. Finney's direct testimony it may be inferred that Secretary Fall first made the suggestion of additional land, he admitted his memory was not as fresh as when testifying at the conspiracy trial nearly three years before at which trial he testified:

"My recollection is that I told them (Staggers and Cotter) there was no probability of their getting a reduction in royalty for the well leases because they were awarded by competitive bidding. Either on that occasion or a day or two afterwards some suggestion was made, I think by Mr. Cotter or Mr. Staggers, of the possibility of getting additional lands. ***" According to the testimony of Staggers he did not make the suggestion to Finney until after he "had had a talk with Secretary Fall asking for a reduction of the royalty." In so

far as it may affect the question now particularly under consideration in respect to the "I" lease -- a subsidiary conspiracy -- it is of no particular importance who first suggested additional ground in lieu of reduction of royalties. If relief from the high royalties was to be considered at all, there were but two ways of accomplishing it, either by reduction of royalties or additional leases at lower royalties.

At some time before final action was taken the matter was referred to the Bureau of Mines. From the deposition of H. Foster Bain, Director of the Bureau, the following excerpts of his testimony are taken: "My recollection is that I was informed, either by Mr. Ambrose or by Mr. Finney, possibly some one else, that application had been made to the Department for reduction in royalty. *** My advice was asked first as to the reduction of that royalty and the recommendation of our Bureau was to the effect that if possible not to reduce the royalty or to allow the cancellation of the leases for the reason that securing a high royalty like that on a piece of ground placed the government in a much more advantageous situation in regard to negotiating leases on adjacent ground than we would be in case the leasees threw up those leases. *** When this matter was under discussion in the Department and we had urged against the granting of reduction of royalty and also expressed our strong hope that means would be found to keep the lessees from throwing up the leases, we also advised the Secretary that in our judgment the royalties were much higher than anyone could afford to pay upon that ground, and that the chances were that unless some concessions were made to the lessee he would find it to his advantage to simply abandon the lease. *** At that time alternative methods of satisfying the lessee were brought up for discussion. I do not remember where they originated or who made the suggestion, but they were talked over in the Department as between the Bureau and the Department head and took the form

of the suggestion that additional land be leased to the lessee at a lower royalty so that the burden of the total of the land that he had would be such as to permit him to continue operation and we would still have the high royalty on the particular land which had already been leased. We recommended in favor of that. *** We believed that additional ground should be leased and would be leased within a somewhat reasonably nearby period *** for the same reason which had led the Department originally to lease the first northern strip; that is the fact that the ground was being drained; to head that off."

Another fact affecting the situation was a drop in the market price of oil per barrel of approximately one-third below the prevailing price at the time of the execution of the "D" and "H" leases.

The matter was under consideration for three weeks or more before the leases were directed by Secretary Fall to be issued and they were finally executed by Assistant Secretary Finney on December 14, 1921.

On January 26, 1922, W. R. Ramsey, by J. W. Staggers his attorney in fact, submitted a bid for drilling 18 wells along the north line of section 2 upon a 50% royalty. On February 6, following, this bid was withdrawn. Ramsey in his deposition testified that he knew nothing about the bid having been made and that he did not authorize it.

On March 25th, 1922, Ramsey sold the "H" and "I" leases to the Pan American Company for a consideration of $750,000.

Upon the question - whether there was a subsidiary conspiracy between W. R. Ramsey and the defendant - it is clear that the evidence will not support such a conclusion. It is not contended, nor is there any evidence to indicate, that Ramsey or his associates had any knowledge of the transactions between Fall and Doheny which were the basis of the finding of fraud in the former suit and relied upon in this suit.. Ramsey and his predecessors in interest had spent a

large amount of money in trying to bring in a well on section 12, which with section 1 they had covered by placer locations prior to the withdrawal of the land from entry. A.J. Pizzini, one of Ramsey's associates in New York, himself a large investor, had been engaged in selling stock and securities of the Continental Company to help finance the drilling of the "H" lease. The wells brought in were naturally a great disappointment. To comply with the terms of the contract meant a further investment of two hundred thousand dollars or more in addition to the more than three hundred thousand already expended, not to mention the expenditures made prior to the compromise lease which were a total loss. That under these circumstances men would endeavor to improve their situation is not action out of the ordinary. The natural thing was to seek the co-operation of the Pan American Company. The subsequent sale of both leases by Ramsey and his associates to the Pan American Company is not in itself suggestive of other than a legitimate business transaction. The consideration paid for the two leases, while large, would seem not to have comprehended a very great profit considering the total amount of money invested in the enterprise from the beginning. In the meantime two additional wells had been completed on the "H" lease and two started on the "I" lease. The sale avoided the necessity of further large financing upon the part of Ramsey and his associates. The evidence will not support a conclusion that the Pan American Company paid a consideration disproportionate to the value of the property to it. The company was already in the field with a large investment and equipment and desirous of acquiring further land for drilling in the Reserve. There is no evidence of any friendly or even close business relations having existed between Ramsey and his associates, Doheny or any of the officers of the Pan American Company. Ramsey, after acquiring the "H" lease, contracted to sell the product to the Standard Oil Company and his first efforts of a sale were to the latter company.

upon the part of Ramsey and the Continental at least the evidence supports a business transaction without any facts or circumstances which would support a subsidiary conspiracy between Ramsey and the defendant under the rule requiring fraud to be clearly proven.

SUBSIDIARY CONSPIRACY "G" LEASE.

The "G" lease was made in compromise of asserted rights based on placer claims covering section 2 located prior to withdrawal of the land from entry and the establishment of the Naval Petroleum Reserve. The evidence concerning these claims is voluminous but it will be necessary to consider only certain salient facts. On January 1, 1907, nearly three years before the land was with drawn from entry, R. J. White posted placer location notices containing seven other named co-locators, on each of the four quarter sections of section 2. The notices were recorded on January 7th following. The notices recited that the land was located for the purpose of boring and mining for oil, asphaltum, gypsum and other minerals contained therein. On the 23rd day of February, 1911, more than a year prior to the creation of the Naval Reserve, the said R. J. White filed in the United States Land Office at Visalia, California, an application for patent for all of section 2, reciting therein that he had acquired the interests of the other original locators; that at and prior to the time of making the locations a discovery had been made of large and valuable deposits of fuller's earth upon each of said claims, and that the value of the labor done and improvements made on each of said four claims exceeded $500.00 and on one exceeded $1,250.00. A supporting affidavit of two claimed disinterested persons as to the discovery and amount of labor and improvements accompanied the application. With the exception of certain reports made by field investigators, one of date February 26, 1914 and the other of April 6, 1916, no action appears to have been taken by the General Land Office until January 16, 1919, when the Commissioner, by letter addressed to

the Register and Receiver at Visalia, directed institution of adverse proceedings. On June 3, 1919, there was filed with the Register and Receiver at Visalia a protest made by the Attorney General upon request of the Secretary of the Navy, to the issuance of any patent. The protest, after charging that the "application is in fraud of the law and detrimental to the interests of the United States Navy" for alleged reasons therein stated, "requested that a hearing be ordered, upon notice, *** to the end that said mineral entry may be cancelled and said application for patent be denied." On July 3, 1919, R. J. White filed an answer to the protest and "asks that a hearing be ordered *** and that thereupon *** said application passed to patent." A hearing upon the protest was never had. On May 17, 1921, R. J. White and H. T. Coffin wrote to Lieutenant Commander Landis who was the Naval officer in California in charge of the Naval Reserves in that state, referring to the fact that the protest had never been heard or tried and proposing to surrender their claims in consideration of a lease 900 feet wide along the north line of section 2 upon a twenty per cent straight royalty. On May 25th following Commander Landis wrote to the Chief of the Bureau of Engineering Navy Department recommending "favorable consideration" of the White and Coffin proposal. On November 25, 1921, the Chief of the Field Division wrote to the Commissioner of the General Land Office in reply to a letter calling for a report, among other matters stating: "In order to go to hearing on this case it will be necessary to have the land examined by ten acre tracts, samples taken from each tract and exhaustive tests made of these samples. *** It would undoubtedly be a very expensive and long-drawn out proceeding ***. Furthermore, it was the opinion of the Special Assistant to the Attorney General that it will be best not to take any action in the White case pending the outcome of the hearing in the Evans case." On November 30, 1921, H. Foster Bain, Director of the Bureau of Mines, by direction of Secretary Fall, addressed a letter to five of the principal oil

companies operating in California, calling for bids for an offset lease along the north line of section 2, "the bids to be in Washington by December 31st, 1921." On January 3, 1922, Commissioner of the General Land Office Spry wrote to the Secretary of the Interior concerning the proposal of White and Coffin to compromise their claim and, among other matters stated: "Since it will be necessary to drill the land in any event and as the longer the drilling is postponed the greater will be the loss to the Government through the drainage which is now going on, it is to the advantage of the Government to settle the present litigation as soon as possible. ***

"On the question of the compromise the Secretary of the Navy made the following remarks in his letter of June 28, 1921.

'In view of the weakness of this claim, it is believed that the claimants will compromise for a much smaller amount of land than they have indicated in the inclosed letter.'

"In case a compromise is approved by you, the lease might be made under the provisions of 41 Stats. 813. ***"

On December 30, 1921, associates of R. J. White called upon J. G. Anderson, General Manager of defendant at Bakersfield, California, and a conference was had resulting in an agreement by the terms of which White would deliver to defendant a quitclaim deed to the Government for all his rights or claims of right to section 2 in consideration of an over-riding royalty of 7½ per cent of oil produced upon any lease which might be awarded to defendant in pursuance of its bid. Such a deed was executed by White. Anderson testified to the effect that no one else connected with the defendant company knew anything about the conference had and agreement made with White and his associates until after the agreement was reached. Cotter, attorney for defendant, was at the time at Los Angeles. On January 5, 1922, Cotter wired Assistant Secretary Finney - "We have quitclaim contract *** am returning to Washington to take matter up with you. *** " Cotter proposed to Finney that in consideration of surrendering the quitclaim

deed the defendant be awarded not only the lease for which it had been determined to be the highest bidder but that it be granted a lease to the remainder of the section upon what was known as regulation royalties. Finney opposed granting an additional lease for an area greater than the balance of the north half of section 2. The question of the granting of an additional lease appears also to have been referred to the Bureau of Mines. On February 6th, 1922, E. A. Holbrook, Acting Director, wrote to Finney, among other matters stating: "Obviously the Pan American Petroleum Company has the best bid, providing a compromise can be effected for the mining claim this company now holds on section 2. *** Mr. Bain has been advised *** they would be willing to turn over *** quitclaim deed to section 2 provided they would get *** a lease on the remaining portion of the north half *** at the Government sliding scale royalty. I think the Department should attempt to make such a compromise." On the same date, February 6th, Assistant Secretary Finney addressed a letter to the Secretary in which he reviewed the situation presented as follows:

> "Referring to attached memorandum from the Director of the Bureau of Mines, which finds the bid of the Pan American Petroleum Company to be the best bid submitted for the drilling of 18 wells on the north line of Sec. 2, T. 31 S., R. 24 E., I have to advise you that after bids had been called for it was discovered that the entire Sec. 2 was covered by a mining claim located in 1907, long prior to any withdrawal, as a fuller's earth placer mining claim; that the title of the locators was acquired by R. J. White, who filed application for mining patent therefor, and that said application is still pending and uncancelled, and that so long as this mining application is of record and undisposed of this Department would be without authority to lease or dispose of the lands to any one else. The record was in California in the hands of the Field Division of the Department of the Interior, and the Department of Justice, and no action thereagainst had been taken. As you know, to clear the record it would be necessary to prefer charges against the application, to prove that the location was invalid or that the law had not been complied with. Under our practice, this would involve the ordering of a hearing and taking of testimony, the right of appeal from the local office to the General Land Office, and to the Secretary of the Interior; also if decision were adverse, the mineral appli-

cants might carry the matter into courts, and tie the land up for months or years. If they were successful, they would obtain a patent for the entire section, which patent, in my judgment, would carry with it the right not only to fuller's earth but to all other minerals in the land, including oil and gas. Meanwhile, during any proceedings which might be had in this Department or the court, the land would be drained of its oil by the wells on adjoining patented land. The Pan American Petroleum Company, learning of this situation, has secured from the mineral applicant a quit-claim deed to the United States to all of Sec. 2, which they agree to surrender and turn over to the United States, compensating the mineral applicants, upon condition that the bid of the Pan American Petroleum Company, which, as stated is the best bid received, in any event be accepted and an additional area in the north part of Sec. 2 be leased to them at regulation royalties. This seems to be the only practicable solution of the difficult situation in which this Department finds itself, with respect to said Sec. 2. If not accepted, protracted litigation in the Department and the courts will ensue and the Government meanwhile suffer the loss of the oil and gas beneath the land by drainage."

Secretary Fall wrote his approval on the letter of Assistant Secretary Finney. On February 8, 1922, the "F" and "G" leases were executed by Assistant Secretary Finney. On March 1, 1922, Commissioner Spry wrote to the Register and Receiver at Visalia, concerning the White application for patent, stating:

"The records disclose that all of Sec. 2 has been quit-claimed to the United States by the freeholders of the mining title of the claim in connection with leases Visalia 010042 (a) and (b). The said application is accordingly hereby finally rejected and the case closed. *** So note your records."

There is nothing in the entire record concerning the "G" lease that would warrant the conclusion of a subsidiary conspiracy between White and Coffin and the defendant. It is true that both the Navy and the Interior Departments had taken the position that the White claims were invalid. That position was challenged upon the

part of White and his associates, who more than two years before had asked that a hearing be ordered. The evidence does not warrant a conclusion that White and his associates did not believe they could establish a discovery and hence were trying to perpetrate a fraud. Whether or no there was a legal discovery on each of the four placer claims is not a matter to be determined in this suit. Even in a case like the present where the question of discovery is not subject to direct attack, the evidence in respect to discovery might be so weak that the court would be justified in saying that a claim of discovery might be regarded as a badge of fraud. There is, however, nothing in the evidence in this case that would justify the court in arriving at any such conclusion. Before it could be said that White and his associates had not made a valid discovery they were entitled to have their day in court and it appears to have been the opinion of those best qualified to express themselves in such a matter that for the Government to be prepared to meet that issue, if it could be successfully met, would be after a long and expensive investigation upon the ground. In dealing as we are here with the question of the good faith of claimants to patent it may be noted that in a case where the question of discovery is directly involved all that is necessary for the locator to show is that he has made such a discovery as would justify a reasonably prudent person in the expenditure of money and labor in developing the claim with the reasonable expectation of finding minerals in paying quantities. Cameron v. United States, 252 U. S. 450; Erhardt v. Boaro, 113 U. S. 527; Chrisman v. Miller, 197 U. S. 313; United States v. Iron Silver M. Co., 128 U. S. 673. Assuming that White and his co-locators had made a valid discovery of fuller's earth, then they had not only a right ultimately to obtain a patent for the section but a right to the immediate possession and to extract minerals therefrom. By discovery and perfected location the Government has already parted with all its valuable mineral rights and retains only the naked legal title in the land. Forbes v. Gracey,

94 U. S. 762.

It was recognized by all officials dealing with the situation that before the offset lease on the north line of section 1 should be granted under the call for bids, that the White and Coffin claim should be disposed of. True it is that in the award of the "G" lease the negotiations were directly with the defendant who held the quitclaim deed from White, but it is also true that defendant held that deed subject to a valuable consideration in the form of an agreement for over-riding royalties. The negotiations were conducted upon the part of the Government practically entirely by Assistant Secretary Finney and the Bureau of Mines. Finney testified: "We tried to drive as hard a bargain with them as we could". While it is to be conceded, as has frequently been held, the mere fact that the settlement may have been one favorable to the Government is no defense in a case where fraud is established, it does not appear that any fraud was involved in the granting of this lease, and particularly is that true in so far as any asserted subsidiary conspiracy between White and Coffin and defendant is concerned.

"G" AND "I" PROTECTION LEASES.

While in the granting of the "G" and "I" leases other purposes primarily occasioned their immediate execution, it is the contention of the defendant that they should be regarded and were in fact so made as leases to protect against drainage. The evidence supports this contention. By July 1921, the Standard Oil Company had produced from section 36, 11,267,000 barrels of oil. Frank M. Anderson, an oil geologist of wide experience, testified for defendant that he had made an estimate of the amount of oil drained from beneath the Naval Reserve by the Standard Oil Company by its wells on sections 35 and 36, to have been 10,500,000 barrels by April 1924. At the time of the trial the witness estimated from reports showing

the total oil production and knowledge obtained concerning the location and dimensions of the oil pool, that the Standard Oil Company had produced from sections 35 and 36, twenty million barrels of oil more than was susceptible of production from oil originally below the surface of those sections. If this estimate is substantially correct and the court is convinced not only from the testimony of this witness but from that of other expert witnesses, that it is, then the fact is that the major portion of this large amount of drainage production came from the Naval Reserve.

This testimony was admitted subject to the objection of counsel for plaintiff that it was immaterial. The court is of opinion it was admissible. While the known condition in respect to drainage at the time of the trial may, and doubtless should not be, determinative of the knowledge of and consideration given to the subject of drainage at the time the leases in question were granted, it is competent to show that opinions then expressed and consideration of the subject given were borne out by subsequent events. It has some evidentiary value as to the fact that those dealing with the matter of the leases in question were giving some consideration at least to a question of so great importance. Whatever of doubt there may be upon other questions presented upon the trial, the evidence is conclusive not only of the necessity for protection against drainage from the Reserve by reason of the wells on sections 35 and 36, but that such protection to be effectual required that the wells on those sections be substantially duplicated upon the adjoining Reserve sections both in time and numbers. The evidence is conclusive that the "F", "H" and "D" leases were wholly inadequate to protect sections 1 and 2 from the mass drilling inaugurated on the two sections to the north, even if such leases had been granted in time instead of many months too late.

Arthur W. Ambrose, who at the time of the making of the leases in question was holding the position of petroleum technologist of

the Bureau of Mines, testified that, at the time of the making of the "H" and "D" leases, his "opinion was that two rows of wells would not ultimately amply protect the government's interests in section 1." With respect to section 2 the witness testified: "two rows of wells in section 2 would hardly be considered ample unless the production ended. In other words if there was no production farther to the south." The witness further testified he thought he had discussed the matter with Director Bain and Admiral Robison during the fall of 1921. What Ambrose doubtless had reference to by his expression "production farther to the south" was the fact that the Pacific Oil Company, then the owner of section 35, had completed six second line wells and three first line wells along the section line between sections 2 and 35 and was not drilling any more first line wells. The Pacific Company had on June 13, 1921, written a letter to Lieutenant Commander Landis suggesting certain arrangements be entered into with respect to the various holdings of the company with the Reserve. Among other matters the letter stated:

"It proposes that the Pacific Oil Company agree not to drill any more wells within 900 feet of the Navy land for a certain period of time. *** In return for this it proposed that the Navy agree not to have any wells drilled adjacent to the lines of the Pacific Oil Company. *** It must be understood that the Pacific Oil Company *** cannot obligate itself to stay further away from the lands than 900 feet, on account of the impossibility of telling just where the oil will be found."

This letter was referred by Landis to the Secretary of the Navy by letter dated June 22, 1921, in which he stated:

"The Pacific Oil Company does not intend to drill any more wells in that section less than 900' from the edge of the section."

On June 29, Secretary Denby referred the correspondence to Secretary Fall, who on July 18, 1921 wrote to the Pacific Company, among other statements saying: "I shall be glad if your company will do no other

than necessary defensive drilling in the reserve pending the outcome of negotiations. Meanwhile it is my intention to grant no drilling rights *** other than such rights as it may prove necessary to grant in the settlement of pending claims or to offset wells already drilled or to be drilled on private lands and so situated as to draw oil from the Government reserves."

It appears for a time at least there was an impression that the second line wells on section 35, slightly over nine hundred feet from the line, would not drain from section 2. Counsel for the Government in this case have questioned the propriety of the Interior Department calling for bids for offset wells along the entire north line of section 2, when there were but three first line wells in the southeast corner of section 35. However commendable may have been the motives of the officials of the Pacific Company, in suggesting no wells be drilled within the reserve as long as that company kept nine hundred feet distant from the line, the fact is that four of the company's six first line wells had an average initial production of 2400 barrels per day and one was a 3500 barrel per day well. One first line well close to the border line completed September 8, 1920, had an initial production of 4500+ barrels per day. Expert testimony upon the trial of this case is convincing to the court that wells of this character would drain for a distance of a mile or more. Professor Anderson testified: "The radius of drainage extends to the limit of the pool in this case; and to say that wells drain the territory for the distance of a mile around is a moderate statement. *** 900 feet is negligible in the drainage area of a well in this field." With respect to the situation existing at the time the leases on section 2 were made the witness expressed it as "a condition of acute emergency."

LEGALITY OF "G" AND "I" LEASES

Having found that the "G" and "I" leases are free of any element of fraud in their execution and that they were granted as protection leases, other questions respecting their legality are determined adversely to the Government's contention in the case of United States v. Belridge Oil Company, 13 Fed. (2d) 562, involving the offset lease along the east line of section 34.

THE "E" LEASE

The "E" lease stands in a different situation in some respects from either the "G" or "I" leases heretofore specially considered. While not so clear as in the case of the other two leases, the evidence supports it being regarded as a protection lease. There is nothing that will justify the conclusion as in the case of the "I" lease, that the defendant, as owner of the "D" lease, would have abandoned that lease unless further relief of some sort was granted. Regardless of the element that the facts may have justified the leasing of section 1 in its entirety as a protection measure, there remains the further element that the relationship between Secretary Fall and Doheny would render any transaction between defendant and the Interior Department at least void as against public policy unless it was clearly shown that the lease was executed under such circumstances as to negative the possibility of any such influence. The evidence in this case will not support such a conclusion and the "E" lease should be declared void unless merit exists in defendant's contention of Congressional ratification or in its defense of split causes of action.

There is much force in the contention that this lease, having been submitted to Congressional investigation along with the other leases considered, it was ratified by Congress as was held in the case of the Belridge lease, cited supra. See also United States v. Chemical Foundation, 272 U. S. 1; Butte City Water Co. v. Baker, 196 U. S. 119; Mattingly v. District of Columbia, 97 U. S. 687; United States v.

Midwest Oil Co., 236 U. S. 459; City of Findlay v. Pertz, 66 Fed. 427; Baker v. United States, 27 Fed. (2d) 863.

The "E" lease, as well as the other leases involved in this suit, is clearly distinguishable in character from the leases which Congress, after an exhaustive investigation by Resolution determined actions should be brought to set aside. What actuated Congress in directing suits against certain particular leases and contracts is expressed in the decisions in the first Pan American case and in the case of the Mammoth Oil Company, 275 U. S. 13. Speaking of the leases and contracts involved in the first Pan American case the Supreme Court said: "It was the purpose of those making the contracts and leases to circumvent the laws and defeat the policy of the United States established for the conservation of the Naval petroleum reserves."

It the Mammoth case it was said: "The lease and supplemental agreement were fraudulently made to circumvent the law and to defeat public policy."

The granting of defensive leases to prevent drainage clearly did not circumvent the laws and defeat the public policy of the United States in respect to the Naval petroleum reserves. While it was the policy of Congress to maintain reserves of oil in the ground for future contingencies it was recognized that within and upon the borders of the reserves there was privately owned land and that drainage from the reserve was an extremely important matter to be dealt with. Space will not permit a review of the evidence upon the subject of drainage which went before the Senate Committee dealing with the whole subject matter of leases and contracts concerning the Naval reserves. The broad scope of the Committee's investigation is indicated by the letter of its chairman to Director Bain of the Bureau of Mines, stating: "The committee desires the fullest information from engineering, operating and business viewpoint *** and you will please report in full your views along this line." In the comprehensive letter of Dr. Bain, of date November 30, 1923 in reply, appears this statement: "It was

mentioned earlier in the memorandum that 'loss due to delay in drilling is in places as much as 50 per cent' and accordingly it was considered most conservative to estimate the 'loss in ultimate total production from the reserves' as twice that already incurred from failure to drill the particular 25 line wells indicated, or, as stated, '6,800,000 barrels, worth $8,800,000.'"

Attention is also directed by counsel to the report made by M. L. Requa to Lieutenant Commander Landis of date December 16, 1916, which was before the Committee and in which appears this statement relative to the distance wells might affect drainage:

> "Over a period of many years and with the tremendous stake involved, I would not personally feel satisfied even with an intervening space of a mile between a Government reserve and the nearest producing oil wells."

Courts should be reluctant, however, to hold a ratification by Congress where questions of fraud enter into consideration if the cause can be determined upon other questions presented. In the Belridge case the Circuit Court of Appeals of this Circuit pointed out that no question of fraud was involved in the lease under consideration in that case.

SPLIT CAUSE OF ACTION.

Defendant's sixth and seventh defenses present the question whether by not including the leases under attack in this suit in the former suit, plaintiff split its cause of action and, hence, the judgment in the former suit is determinative of the extent of recovery and a bar to this action.

Considering a similar question to that presented here, the Supreme Court in United States v. California and Oregon Land Co., 192 U. S. 355, said:

> "But the whole tendency of our decisions is to require a plaintiff to try his whole cause of action and his whole suit at one time. He cannot even split up his claim (Fetter v. Beale, 1

Salk. 11; Trask v. Hartford & N. H. R. Co., 2 Allen, 331; Freeman, Judgments, 4th Ed., Secs. 238, 241); and a fortiori, he cannot divide the grounds of recovery."

The Supreme Court in the first Pan American case, while holding that the general principles of equity "will not be applied to frustrate the purpose of its laws or to thwart public policy," held that they "are applicable in a suit by the United States to secure the cancellation of a conveyance or the recision of contract." No such question is here presented in the application of the equitable principle against splitting causes of action as was under consideration in the exception noted in the decision.

As was said by the Circuit Court of Appeals of this Circuit in Mountain Copper Co. v. United States, 142 Fed. 625:

> "It is the well-established law that, when the government comes into a court asserting a property right, it occupies the position of any and every other suitor. Its rights are precisely the same; no greater, no less."

The question here to be determined is whether a right of action in plaintiff to set aside all or any of the leases involved in this suit, for the fraud considered and determined in the first Pan American case, is but a part of a cause of action tried and determined in that case. The general rule against splitting causes of action is conceded, but it is contended in effect that because in this case the court is dealing with separate and distinct leases covering a portion of the naval reserves not embraced within the leases involved in the former suit, the demands are several even though they are all affected by, and grew out of, the same fraud.

As applied to actions for the recovery of land, Corpus Juris states the rule as follows:

> "The rule against splitting a cause of action applies to actions for the recovery of land. Consequently a party claiming title to a single undivided tract or parcel of land cannot maintain different actions to recover different portions thereof, but different actions may be maintained to recover separate tracts of land

claimed under different titles."

1 C.J., p. 1120, Sec. 304

This is a case where the government as proprietary owner of the land is seeking in different actions to recover from the same defendant because of the same fraud in their procurement, different portions of a single undivided tract or parcel of land -- Naval Reserve No. 1 -- held under various leases. The mere fact that several leases of different dates and purporting to convey different portions of the same tract were issued as the result of the same fraud, affords no substantial reason for not holding that the granting of all the leases so affected by the fraud constitutes but one cause of action. It is the agreement or understanding between the parties to accomplish a purpose unlawfully followed by the accomplishment of such purpose in whole or in part which constitutes the cause of action, and to whatever extent accomplished results in but one cause of action.

It is conceded in this case that the question of fraud is res adjudicata. It would be an unreasonable rule which would say to a defendant you are bound by the determination in the former suit as to the issue of fraud, in a case where a plaintiff is demanding further relief based on the same alleged fraud.

As said in Union Central Life Ins. Co. v. Drake, 214 Fed. (8 Ct.) 536: "The true test of the identity of causes of action is the identity of the facts essential to maintain them."

There can be no question but that the facts essential to maintain the issue of fraud in this case are the same as in the prior suit. The only difference in the remaining facts is in the mere detail of leases affected.

In the case of Baltimore Steamship Co. v. Phillips, 274 U. S. 316, the Supreme Court said:

"A cause of action does not consist of facts, but of the unlawful violation of a right which the facts show. *** 'The thing, therefore, which in contemplation of law as its cause, becomes a ground for action, is not the group of facts alleged in the declaration, bill, or indictment, but the result of these in a legal wrong, the existence of which, if true, they conclusively evince.'"

The legal wrong accomplished by the transactions of Fall and Doheny was the making of a number of leases and contracts affecting Naval Reserves 1 and 2. The leases and contracts considered severally were but incidents of the one legal wrong.

In Chesapeake and Ohio R'y. Co. v. Dixon, 179 U. S. 131, it is said:

"The cause of action manifestly comprised every fact which plaintiff was obliged to prove in order to obtain judgment, or, conversely, every fact which defendants would have the right to traverse."

It can hardly be said that a defendant has any substantial right left if such right is limited to traversing the mere execution of an instrument he is himself relying upon.

Both reason and authority support the view that defendant's defense of split cause of action should be sustained unless some substantial reason exists why the rule should not be applied in this case.

While, as contended by counsel for plaintiff, the rule against splitting causes of action is subject to exception, some very substantial reason must appear before the case is taken out of the general rule. As said in Beltz v. Great Western Lead Co., 251 Fed. 696, cited by counsel: "It may be done under special circumstances to avoid injustice." No substantial reason appears in this case why the rule should be departed from as appears in the cases cited by counsel for plaintiff. State v. Superior Court, 261 Pac. (Wash.) 110; Howell v. Bank, 270 Pac. (Wash.) 831.

It is contended that the rule being a procedural one is within the control of Congress. The case, <u>supra</u>, of United States v. California & Oregon Land Co. is cited as sustaining this view. It is contended, therefore, that Senate Joint Resolution No. 54,

"directed the appointment of special counsel to handle certain specific matters, the laws relating to the functions of the Attorney General to the contrary notwithstanding." Counsel further say: "Prior to the passage of Senate Joint Resolution No. 54 on February 8, 1924, the Attorney General no doubt had authority to institute proceedings for the cancellation of all leases and contracts involved in this case. *** The only fair construction which can be placed upon this Joint Resolution is that the Congress decided to leave the litigation as to other leases, if any was advisable, under the control of the Department of Justice."

One difficulty with this contention is that while the bill of complaint in the first Pan American case recites that it is brought by the United States appearing by special counsel appointed by the President, the bill is signed not only by special counsel but also by the United States District Attorney for the Southern District of California as "Solicitors for Plaintiff". While special counsel controlled the prosecution of the case it appears throughout the record in all the courts, excepting the Supreme Court, that the United States District Attorney was associated with special counsel.

While provision is made in Joint Resolution No. 54 for the appointment of "special counsel who shall have charge and control of the prosecution of such litigation, anything in the statute touching the powers of the Attorney General of the Department of Justice to the contrary notwithstanding," it does not appear therefrom that Congress was establishing any matter of court procedure varying from the general rules. While the Resolution required the institution and prosecution of suit "for the annulment and cancellation of the said leases and contract (theretofore specifically referred to) and all contracts incidental or supplemental thereto," it further provided: "to secure any further appropriate incidental relief, and to prosecute such other actions or proceedings, civil and criminal, as may be warranted by the facts in relation to the making of the said leases and

contracts."

It is clear that any other leases affected by the same fraud would come within the provision "to secure any further appropriate incidental relief." Especially would that be true when at the very least a question would exist whether any such further relief by way of setting aside other leases could be had under the rule against splitting causes of action.

It cannot be said as a matter of law, as contended by counsel for the plaintiff, that "the authority of the special counsel conducting the former suit was expressly limited by Senate Joint Resolution No. 54, under which they were appointed, to the conducting of litigation with respect to the two contracts and two leases set aside in the former suit." Even if the expression "further appropriate incidental relief" might under a very strict construction be said to relate only to a form of relief in addition to injunctive relief theretofore in the Resolution immediately referred to, the provision is clear that special counsel could prosecute "other actions". In the adoption of the Resolution it is manifest that Congress had a definite purpose, and that was to provide for all necessary court proceedings to accomplish the object specified. To hold that Congress intended that two or more suits should be brought where only one was necessary would do violence to the intent of Congress as expressed in the Resolution.

In the brief of counsel for plaintiff appears the following, among a number of similar expressions:

> "The leases involved in this suit are so interwoven with the transaction that resulted in the contracts and leases involved in the former suit that these leases and the making of them was a part of the same single transaction. But it was an evidentiary transaction and not the causes of action in the former suit and it was an evidentiary transaction as involved in this suit."

Counsel for plaintiff also say:

> "The causes of action in this suit are the result of the same conspiracy alleged in the former suit and also of subsidiary conspiracies."

As heretofore held, in so far as the leases or any of them involved in this suit are the result of the same fraud or conspiracy alleged in the former suit they are a part of the single cause of action effected by such fraud or conspiracy.

It is the conclusion of the court that there is nothing in the language of Resolution No. 54 which modifies the procedural rules inhibiting splitting of causes of action, or which prevented the inclusion of any of the leases here in question within the cause of action alleged in the former suit based on fraud or conspiracy.

For the reasons stated plaintiff is not entitled to a decree or any relief as prayed for, and the Amended Bill of Complaint should be dismissed. It is so ordered.

The court reserves the right to make and file findings of fact and conclusions of law, formal decree, and to make such other orders and take such further action as may be necessary or appropriate in the premises.

Dated this 8th day of November, 1930.

Frank H. Norcross
District Judge.

FH:EG 5 cc 11-26-30.

JAN 1931 227364-227314 File

MEMORANDUM

For The Attorney General.

In re: Decision of Judge Norcross in United States vs. Pan American Petroleum Company, Southern District of California - In Equity E 115 M.

The facts are stated in detail at pages 18 to 78 of the original brief for the government and the effect of the facts is discussed in detail at pages 78 to 139 of the original brief for the government. The reasons the leases are illegal are presented at pages 139 to 152 of the original brief for the government. Our summary of the facts and conclusions of law are given at pages 93 to 107 of the reply brief for the government. Fresh copies of each of these briefs are submitted herewith. For your convenience the summary of the facts and conclusions of law for which we contended are copied herein as follows:-

VII. SUMMARY.

A. Conclusions of Facts.

The lands involved in this suit lie in Sections 1 and 2 Township 31 South, Range 24 East, Kern County, California, within the United States Naval Petroleum Reserve No. 1, which was set aside on September 2, 1912, by executive order of President Taft "for the exclusive use or benefit of the United States Navy." They are covered by three leases: (1) one known as the "E" lease dated December 14, 1921, issued to the defendant, covering 421 acres in Section 1, (2) one issued to W.R.Ramsey under date of December 14, 1921, covering 63.2 acres in Section 1, and subsequently assigned under a contract dated March 10, 1922 to the defendant and known as the "I" lease. Both of these leases cover lands lying South of two strip leases across the North and Northeast of Section 1 made in July, 1921, and both of these leases are commonly referred to as the "relief leases." And (3) the third lease was issued to the defendant under date of February 8, 1922, covers 176.78 acres, approximately the South half of the North half of Section 2. It is commonly referred to as the "G" lease and as having been given in compromise of a placer mining claim of White and Coffin for fuller's earth.

May 31, 1921, the President made an executive order purporting to transfer the functions of the Secretary of the Navy under the Act of June 4, 1920 to the Secretary of the Interior, except that the Secretary of the Navy was to be consulted on matters of general policy. Fall was active in procuring the promulgation of that executive order and thereafter dominated the administration of the

Naval Petroleum Reserves.

At the time the executive order was made there was pending before Fall as Secretary of the Interior, by reference from the President, an appeal by United Midway for the allowance of a placer mining claim upon Section 1, the merits of which were disputed by the Navy Department. Officers of the Navy Department then in charge of the Naval Petroleum Reserves protested against recognition of the claim and especially against the giving by way of compromise of any land in Section 1 South of an offset strip which had been advertised for leasing. Fall headed off an opinion of the Attorney General, requested by the Navy Department, as to the legality of the claim, overruled the Navy Department on a matter of royalties and divided the strip between the United Midway and the defendant in leases early in July 1921, at 55% straight royalty. Fall in this matter was also opposed by the expert he had appointed to assist him in administering affairs under the executive order of May 31, 1921.

On July 8, 1921 Fall wrote Doheny, who was in control of the defendant that he would brook no further interference by the Navy Department officials and would not even consult the Secretary of the Navy except upon questions of policy. He said to Doheny that the matter of leasing thereafter would be entirely in his hands. Subsequently he refused to consult the expert he had appointed or the Navy officials who had theretofore opposed him. He selected Bain, Director of the Bureau of Mines as his new agent.

July 23, 1921, Fall originated the idea of exchanging royalty oil due the government under lease upon Naval Petroleum Reserve lands for property, tanks for storage and fuel oil to be put therein, which idea was accepted by the Navy Department, then contemplating merely storage for commercial uses.

October 8, 1921, Rear Admiral John K. Robison, who was an old friend of Doheny's, was placed over the officers who had therefofore been in charge of the Naval Petroleum Reserves for the Navy. Robison discussed affairs with Fall, learned of the exchange idea and being embued with a passion to enlarge the fuel depots facilities of the Navy Department, suggested his willingness to cooperate with Fall in making contracts for the exchange of royalty oil for such fuel depots and that the plan should be kept secret so that there would be no Congressional opposition.

By exchange of correspondence, letter dated October 25, 1922, from the Navy Department and a letter dated October 30, 1921, from Fall, his future policy was defined. It provided for the unlawful exchange program, but that drilling in Naval Petroleum Reserve 1 should be restricted to offset wells so that the exhaustion of the reserve would be kept as low as practicable without risking depletion of the reserve by other parties. All such leasing was to be done by the Interior Department, as mere details, but copies furnished the Navy Department "as a matter of information and record only." Should any new matter come up the Interior Department volunteered that

it would consult Robison.

The policy of maintaining the integrity of the Naval Petroleum Reserves by restricting drilling to necessary offset strip leases, as had been the custom and practice, was never specifically changed or varied except in favor of Doheny and Sinclair, who had also corrupted Fall and except when the leasing would facilitate Robison's unlawful fuel depot program. Both Fall and Robison expressed themselves as holding to the offset strip lease policy, except in dealing with Doheny and Sinclair. Their conduct also shows that they adhered to that policy with the exceptions mentioned.

In the meantime a few wells had been brought in on the July, 1921, strip leases along the North of Section 1 at much lower rates of production than had been obtained on Section 36 across the line. It was claimed that this low production was disappointing, though why it was disappointing in view of the expert knowledge of the defendant of geology and drainage theories is not explained. It is possible that it was anticipated and that the 55½% straight royalty bid for the strip was with the idea of applying for relief, as the then general manager of the defendant, by a letter to Doheny dated December 17, 1921, indicates confidence in the ability of Doheny to get relief from rates of royalty that might be bid.

Apparently at the suggestion of associates of Ramsey who had theretofore acquired the title of United Midway, he and the defendant joined in an application and in efforts to secure relief from the royalties fixed in the July leases for which there had been competitive bidding by a number of bidders. The matter was first taken up with Judge Finney, first Assistant Secretary of the Interior, and the applicants were told that to reduce the royalties would not be fair to others who had bid and that he did not think it would be approved. He then discussed the matter with Fall who had to agree that royalties could not be reduced. Fall, having in mind Robison's desire for 1,500,000 barrels of storage facilities at Pearl Harbor, Hawaii, and the need for more royalty oil to pay for the project, suggested that more land at regulation rates of royalties (20% maximum for the quality of oil being produced in that vicinity) might be given in lieu of a reduction of royalty.

Accordingly on November 29, 1921, Fall wrote Robison that the production on the strip leases had been disappointing to both Ramsey and the defendant, that Doheny had made a proposition for Robison's pet project and that if Robison wanted to go ahead with the project it would be necessary to favor Doheny with more land at lower rates of royalty.

There had been some doubt in the Navy Department concerning the legality of the Fall-Robison exchange plan and Robison did not definitely reply to the letter of November 29, 1921, until December 5, 1921. In the meantime Fall had left on December 1, 1921, for the

west, but before leaving had instructed Judge Finney to give Ramsey a strip south of his July lease and of approximately the same acreage and to give the defendant the remainder of the Section, if he were advised of the Navy Department's desire to go ahead with the "original plan". On December 5, 1921, Robison telephoned Judge Finney it had been decided to go ahead with the original plan and Finney so wired Fall on December 6, 1921. December 7, 1921, Fall wired back to go ahead but to try to get the Navy Department's decision in writing.

The Navy Department's decision having been made Judge Finney in accordance with his instructions from Fall, notified the representatives of Ramsey and the defendant that they would be given more land in lieu of a reduction of royalty and they procured the consent of their principals to that arrangement and the "E" and "I" leases were executed under date of December 14, 1921. The records of the Department, however, were made to show that the applications for reduction of royalties were denied.

Subsequently under contracts dated March 10, 1921, Ramsey sold the "H" lease for $450,000 and the "I" lease for $300,000 to the defendant and nett ed a profit of $100,000 to $150,000.

Prior to the applications for relief and at least before November 5, 1921, Fall and Doheny had conferred regarding the Fall-Robison plan and at the same time, or about the same time, Doheny had promised Fall $100,000. November 28, 1921, Doheny made his proposition with respect to the Fall-Robison plan. In the meantime Fall and Doheny had had no conferences. Nevertheless, and in spite of the fact that Cotter was not advised by Finney that more land would be given until December 6, 1921, Doheny in his letter of November 28, 1921, refers to the fact that his proposition is in consideration, <u>inter alia</u>, of more leases to lands in the reserves. It thus appears that at the same time that the Fall-Robison plan and the $100,000 gift or loan was discussed, Fall and Doheny had also discussed the leasing of more land and Fall must have promised that because Doheny's expression is "and to be leased to us." Bain testifies that the fact that Doheny would make a proposition was mentioned to him at the alleged late October conference.

When Fall on November 29, 1921, received Doheny's letter of November 28, 1921 and had written his letter of November 29, 1921, to Robison, he telephoned Doheny that he was ready to receive the $100,000 and to send it in currency. Doheny sent it in currency by his son, having obtained it in a way so that no record would be made of the transaction and no record was made on anyone's books regarding it, to Fall on November 30, 1921, and Fall on December 1, 1921, took it with him in currency across the continent to El Paso, Texas. The circumstances regarding this $100,000 transaction were not disclosed, and it was even falsified about in order to keep

it secret, until January 24, 1924, when investigation in the Senate had reached the point that disclosure had to be made. It was never intended by Fall or Doheny that the money should be repaid in kind and neither principal nor interest had been repaid or security given therefor up to at least November, 1924.

In 1907, White and associates located a placer mining claim upon Section 2 and prospected for fuller's earth and claimed to have discovered it in commercial quantities, and in 1911 White, who had acquired the interests of his associates, applied for a patent. In the meantime the Section had been included in the withdrawal order of September 27, 1909. The Interior Department investigated the application for a patent and the field agents came to the conclusion that fuller's earth in commercial quantities had not been discovered and that work was not being prosecuted on September 27, 1909, as required by law, as a condition precedent to a patent. Proceedings were started both in the Interior Department and by the Attorney General for the cancellation of the claim but they remained undisposed of up to and throughout 1921 and January, 1922.

May 17, 1921, Coffin in the meantime having acquired an interest in the claim, White and Coffin applied for a compromise of the claim in the form of a lease on a strip 900 feet wide across the North of Section 2 at 20% straight royalty. The Navy Department recommended to the Interior Department that the compromise be made unless better terms could be negotiated with White and Coffin. Up to July, 1921, the Pacific Oil Company, owning Section 35 immediately North of Section 2, had developed only five wells in the southeast corner of Section 35, that were within 900 feet of the border. In July, 1921, they agreed by correspondence with Fall and orally with Landis, in charge for the Navy in California, not to develop the southern 900 feet of Section 35 until the Government should develop the North of Section 2 and they suggested their willingness to drill offset wells on Section 2 to the five wells they then had producing in the Southeast corner of their Section. White and Coffin also indicated their willingness to accept a lease with drilling restricted to offsetting the five wells of the Pacific Oil Company until Pacific should drill more along the boundary. The Pacific Oil Company lived up to its agreement until after November 30, 1921. J. C. Anderson on December 17, 1921, wrote Doheny "but not much work has been done by them (Pacific) directly along Section 2 line."

Nothing was done in the Interior Department about a compromise of the White and Coffin claim because Fall had not laid down a policy up to October 30, 1921, and the expert nominally in charge in the interim was opposed to any extensive leasing of Section 2.

November 30, 1921, Fall directed a call for bids for the leasing of a strip across the North of Section 2 called the "F" area. That made it necessary to clear the Section of any claims and it also started the Pacific Oil Company planning future development, as it was one of the companies receiving an invitation. Fall expressed himself as having the opinion that the claims could be summarily disposed of. The status of the claim was reinvestigated and the General Land Office having charge of

such matters, recommended on January 3, 1922 acceptance of the White and Coffin compromise proposition.

In the meantime Bain and Cotter were working on the form for a contract pursuant to Doheny's proposition of November 28, 1921, and bids came in for the "F" area, the Associated Oil Company making the highest bid at 36% straight royalty.

Cotter, on December 28 , 1921, when he left Washington with Bain for Los Angeles, learned of the necessity of clearing the White and Coffin claim and on reaching Los Angeles found that Anderson had an option on it. A contract was entered into with White and associates, after the matter had been discussed with Doheny and Cotter, under which White and associates were to receive 7-1/2% overriding royalty on the "F" area providing the defendant was successful in getting a lease of that area and of compromising the claim. The defendant had bid a graduated scale of royalty for the "F" area up to 35% for the character of oil expected, to the government but was willing to pay an additional 7-1/2%, which the government would not be getting, and which now, according to defendant, totals between $600,000 and $700,000.

January 5, 1922, Cotter wired Finney that the defendant had the claim. No other bidders for the "F" area were advised of the existence of the claim.

February 1, 1922, the defendant proposed to surrender the claim in consideration of receiving a lease to the "F" area at the royalty bid and a lease to the remainder of the Section at the regulation royalties and subsequently agreed to accept only the remainder of the North half of the Section at regulation rates. In the meantime Bain and Fall had returned to Washington and knew of the willingness of the Pacific Oil Company to enter into a "temporary reserve" agreement. Nevertheless, the Bureau of Mines and Judge Finney recommended to Fall acceptance of defendant's last proposition and Fall endorsed his approval on February 6, 1922. Judge Finney ordered the leases prepared by the General Land Office and they were issued under date of February 8, 1922.

On the same date, February 8, 1922, Fall proposed to Pacific Oil Company that a temporary reserve arrangement with respect to the other lands in the Reserve be entered into and Pacific Oil Company agreed thereto.

Robinson never knew how many leases Fall thought Doheny should have for his proposition of November 28, 1921 and did not know at the time of testifying in the former suit that any leases had been made after July, 1921, until the contract of April 25, 1922, saying that he thought the applications for relief were disposed of at that time. Nevertheless, he had been furnished with copies of these three leases, as well as about a dozen others made in Reserve No. 2 on April 11, 1922, evidently in compliance with the letter of October 25, 1921.

Negotiations for the Pearl Harbor project were consummated in a contract of April 25, 1922, which embodied in writing a preferential right to further leases in Reserve No. 1, definite promise being made of two small tracts, pursuant to which definite promise, the lease of June 5, 1922 of the Northeast quarter of Section 3 was made.

July 28, 1922, the defendant proposed a general shut-down of all wells except necessary offset wells, distinguishing between them, as necessary for protection, and other wells over territory where the oil could be safely kept in the ground. Fall agreed in a telegram directly to Doheny and procured the agreement of the operators in the vicinity including even the Belridge Company. Also throughout the spring and summer of 1922 Fall and his subordinates were advising various applicants for leases that only offset strip leasing was being done in California reserves.

The defendant worked out a plan to meet the overproduction situation, embracing the making of further leases, and Robison in order to proceed with his dream agreed that the entire remainder of the Reserve might be leased in order to get greatly enlarged facilities at Pearl Harbor. Thus the contract and lease of December 11, 1922, came to be made at royalties fixed by Fall and Doheny.

The contract of April 25, 1922, the lease of June 5, 1922 and the contract and lease of December 11, 1922 were the ones complained of and set aside in the former suit.

Intthe meantime certain Senators had heard in the first half of April, 1922 of the leasing of Teapot Dome, agreed to by Robison for unlawful storage projects along the Atlantic coast and by Fall on account of what, for short, we may call a bribe from Sinclair.

On April 14, 1922, the Senate passed a resolution requesting information concerning that lease. On April 29, 1922, they passed a resolution for an investigation of the entire subject of the Naval Petroleum Reserves. By February 8, 1924 it had determined that certain leases and contracts were fraudulent and contrary to law and segregated them for special attention by special counsel. Pursuant thereto Special Counsel brought the former suit, the result of which is well known to this Court.

Pursuant to his general authority and the special request of the Secretary of the Navy the Attorney General has brought this suit.

B. Conclusions of Law.

1. The "I" lease is voidable for the same reason as the "B" lease as far as fraud and conspiracy are concerned because the granting of the "B" and "I" leases was pursuant to a joint plan and conspiracy between Ramsey and Doheny, and, therefore, Ramsey is chargeable with the acts of Doheny that affected the making of the leases.

2. The $100,000 transaction between Doheny and Fall on November 30, 1921, was contra bonus mores, contrary to public policy and a fraud upon the United States causing and affecting the making of the three leases herein involved, with the making of which Fall and Doheny were connected, and as a result of which these three leases are voidable as prayed for by the plaintiff.

3. Other conditions in the negotiations for these

leases, domination by Fall and Doheny, passivity by Denby, secrecy, absence of competition, favoritism, failure to obtain legal advice, taken together, and especially in connection with the $100,000 transaction, also prove fraud affecting the making of these leases and entitle the plaintiff to set them aside.

4. These leases cover lands which prior to the issuance of the leases were a part of a Naval Petroleum Reserve of the United States, which lands Fall and Doheny had conspired to cause to be leased to the defendant from time to time as it was understood the Navy Department would be passive on account of its plan for unauthorized fuel depots and the payment therefor in oil from Naval Petroleum Reserves, including the reserve in question, which conspiracy defrauded the United States and entitles the plaintiff to the relief prayed for.

5. These leases were not made in good faith for the purpose of intercepting drainage from the lands covered by them and they were not authorized by any law.

6. The "E" and "I" leases were made for the purpose of giving the lessees relief from higher royalties fixed in other leases and no law authorized the leasing of Naval Petroleum Reserve lands for such purpose.

7. The "G" lease was made in compromise of a placer mining claim for fuller's earth and no law authorized the leasing of Naval Petroleum Reserve lands for such purpose.

8. These leases were made, while the Navy Department was passive, for the purpose of getting more oil with which to carry out an illegal fuel depot project, in which illegal plan and purpose Fall, Doheny and the defendant joined, and these leases are, therefore, illegal for all the reasons adjudicated in former suit.

9. These leases contain delegations of discretionary powers limited by Congress to the Secretary of the Navy, and as the Court cannot remake the contracts, they are illegal for that reason.

10. The Court is not concerned with whether or not these leases were influenced by opinions or facts with respect to geology, theories of drainage, good business dealing, or good intentions of persons not parties to the conspiracies and frauds of Doheny and Fall as the evidence shows that such factors were not relied upon and were not the moving cause in the making of the leases, and evidence offered by the defendant upon those subjects should be held of no avail or stricken from the record.

11. Knowledge and acts of the Secretary of the Navy and other officials in the Executive Departments of the United States in recognition of the existence of these leases does not amount to a ratification of them or estop the United States from setting them aside as neither the Secretary of the Navy nor any other executive official had any power to estop the United States from setting aside fraudulent and illegal leases.

12. Congress acts by legislation and it never expressly or impliedly approved or ratified these leases. Senate Joint Resolution No. 54 is plain and unambiguous and resort to extraneous evidence of the intention of Congress in derogation of the provisions of said Resolution is not warranted. The history of Congressional action confirms the plain meaning of said Resolution as making special provision for the handling of certain matters without approving or disapproving of these leases. Evidence offered in derogation of the plain meaning of said resolution should be held of no avail or stricken from the record.

13. The causes of action stated in the former suit between the parties herein are not the same as the causes of action stated herein. The adjudication in the former suit is not a bar to this suit. The validity of these leases was not at issue in the former suit. Facts pertaining to them and to issues in that case were found in the former suit and are binding upon this Court in this suit in so far as they are relevant herein.

14. The United States is entitled to have these leases cancelled and further trespassing upon the lands described in them enjoined and to have an accounting for all products taken therefrom by the defendant.

15. In such accounting the United States is entitled to the market value of the products taken from the lands at the times they were taken plus any profits made thereon by the defendant by the resale thereof plus interest from the time taken or from the time the profits were realized until payment is made to the United States. In such accounting the defendant is entitled to no credit for the value of the products applied toward payment for the illegal Pearl Harbor project, nor for expenditures made on the property or under the leases, nor for payments made to Ramsey, and White and associates. Any such claim must be addressed to Congress.

COMMENTS ON THE OPINION OF JUDGE NORCROSS.

In the first Pan American case 273 U.S. 456, the Supreme Court found:-

> "The facts and circumstances disclosed by the record show clearly that the interest and influence of Fall as well as his official action were courruptly secured by Doheny for the making of the contracts and leases; that, after the Executive Order of May 31, 1921 Fall dominated the administration of the Naval Reserves,, and that the consummation of the transaction was brought about by means of collusion and corrupt conspiracy between him and Doheny. Their purpose was to get for petitioners oil and gas leases covering all the unleased lands in the reserve. The making of the contracts was a means to that end. The whole transaction was tainted with corruption."

The first and third conclusions of law of Judge McCormick are:-

> "1. That the payment of $100,000.00 by Edward L.Doheny to Albert B. Fall, under the circumstances under which said payment was made in this case, was <u>contra bonos mores</u> and against public policy.
>
> *
>
> "3. That the making of said payment constitutes a fraud upon the United States of America and renders voidable all contracts and transactions made between * * * Pan American Petroleum Company, and the United States of America subsequent thereto."

The payment of the $100,000.00 was made on November 30, 1921. Following the foregoing conclusions of law the court in the first Pan American case set aside a contract executed April 25, 1922; a lease dated June 5, 1922; a contract of December 11, 1922 and a lease of December 11, 1922.

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In [illegible] between the payment of the $100,000.00 [illegible] and the first contract set aside in the former Pan American case was the negotiation and execution of these [illegible] leases involved in the case decided by Judge Norcross. It was the contention of the government that the $100,000 payment was contra bonos mores and against public policy and rendered voidable these three leases just as much as the [illegible] contracts and leases involved in the former Pan American case because Fall directed, dominated and was responsible for their negotiation and execution. The effect of the $100,000.00 transaction was not suspended during the negotiation of the three leases involved in this case only to become operative upon the two contracts and two leases involved in the former case.

So far as two leases involved in this case, that were made directly to Doheny's company, are concerned, the language of the Supreme Court in the former case was directly applicable –

> "It was not necessary to show that the money transaction between Doheny and Fall constituted bribery as defined in the Criminal Code, or that Fall was financially interested in the transaction, or that the United States suffered or was liable to suffer any [illegible] loss or disadvantage as a result of the [illegible] and leases. It is [illegible] that these companies sought and [illegible] of [illegible] Fall's [illegible] influence [illegible] of the [illegible]."

[illegible] was necessary in order to [illegible] the voidability of the [illegible] lease [illegible], [illegible] sold, and assigned to [illegible] company [illegible] uncontradicted evidence, [illegible], as [illegible] in the opinion of Judge Norcross, that [illegible] lease [illegible] was obtained [illegible] the joint efforts of Denby's agents and the agents of Doheny's company. It would not have been granted [illegible] of Fall to accomplish his conspiracy with Doheny. [illegible] in his letter of November [illegible], 1921 to Admiral Robison, in charge of such matters for the Navy Department, just [illegible] before the [illegible] –

"[illegible], on [illegible] to [illegible] this transaction [illegible]

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> then of course it would be necessary, in my judgment, to turn over to Col. Doheny, if he can do so, located upon further wells or area in the Naval Reserve in which he is now drilling. If this is done it must be understood that royalties must be made less than are the present royalties being paid [illegible] [illegible] and [illegible] American."

While there was no evidence that [illegible] knew of the corruption of Fall by Doheny, the mere fact that he would not have obtained his lease but for the influence of Doheny, which he sought and obtained, made him chargeable with the fraud of Doheny upon the principle that each party to a conspiracy or joint adventure is chargeable with the acts of the other. Judge [illegible] holds that the one lease to Doheny's company is void because of the fraud and we are unable to perceive any reason why that lease should be voidable and the other leases not voidable. The evidence with respect to the [illegible] of [illegible] the lease on account of the [illegible] [illegible] [illegible] [illegible] [illegible] with respect to the other two leases.

The court finds that these three leases were part of the one transaction and cause of action [illegible] in the [illegible] resolution for the [illegible] of special counsel and the courts in the former case so that the bringing of this suit separately split a single cause of action. Then how can the court consistently find that these leases were not affected by the fraud adjudicated in the former case?

Judge [illegible] finds that two of these leases were not affected by the fraudulent transactions because they were made as measures to [illegible], as to one, to give relief from higher royalty in another lease, and, as to the other, to settle a [illegible] claim for a patent. The government contended that even if the subordinate officers of the government considered the need for protection, the need for giving relief from higher royalty in another lease, and settling the claim for a patent, the fraudulent relation between Fall and Doheny made it impossible to say that [illegible]

Getting the R. case finally [illegible] by Fall, [illegible] Doheny taints [illegible] [illegible]

[illegible] [illegible] if reasons [illegible] to [illegible] [illegible] [illegible] of [illegible]

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[illegible], and [illegible] with respect to these two leases were not [illegible] such fraud. [illegible] the courts [illegible] of such corruption upon his [illegible], it was said in [illegible] the Mammoth Oil Company cases, as well as [illegible] other cases against the Government. Thus the [illegible] of [illegible] relief and [illegible] claim [illegible] affirmative.

[illegible], upon the question of drainage the Government proved that it was the [illegible] policy, [illegible] Fall, to make only offset [illegible] to [illegible] as possible and at the same time preserve the [illegible] the naval petroleum reserves [illegible] these leases violate that policy. The Government proved that the justification of these leases as drainage measures was an afterthought and mere incidental consideration.

The fact that [illegible] of the leases for protection against drainage was a merely incidental consideration and after [illegible] was important only [illegible] upon our claim that there was no authority in law for the making of the leases. [illegible] authorized the making of a lease in order to [illegible] relief from higher royalties in other leases or in order to [illegible] a claim to a patent.

In addition to the fraudulent effect of the financial transaction between [illegible] and Fall the Government proved other badges of fraud, such as secrecy, absence of competition, favoritism and wilful avoidance of legal [illegible].

Judge [illegible] did not sustain the defendant's contention that the making of these leases had been approved and ratified by Congress. He did sustain the contention that the making of these leases was a part of the same cause of action as was adjudicated in the former Pan American suit.

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In concluding that the government split a single cause of action we think Judge Norcross fell into a common error of confusing a single transaction with a single cause of action. The distinction is illustrated by the statutes of those states having code pleading upon the subject of joinder of causes of action. They universally provide that causes of action arising out of the same transaction may be joined, thus indicating a distinction between a single transaction and a cause of action. The single transaction is an evidentiary matter. It may affect a number of causes of action. The same financial transaction involved in the former Pan American case was evidence of fraud in this case but the fraudulent financial transaction was not the cause of action. There were other negotiations, dealings and acts bearing upon the making of the leases involved in this case that made them entirely separate transactions from the contracts and leases involved in the former suit though in some respects subsidiary and in other respects independent of the negotiation of the contracts and leases involved in the former suit. There were independent reasons for the illegality of these leases. They invaded separate rights of the government by separate wrongs of the defendant.

The question as to whether there was but one cause of action is covered in our original brief at pages 188 to 201 and in our reply brief at pages 62 to 83. Since those briefs were prepared the following cases bearing upon the question have been reported:

Brooks vs. Yarbrough, 37 F.(2d) 527 (C.C.A. 10th Cir. 1930)

Brooks sued Yarbrough as administrator of the estate of Barber, deceased, for specific performance of an oral contract to will plaintiff certain cash, personal property and real property. The defendant contended and the court held that the claim for the cash and personaly property constituted separate causes of action, from that for the land, as to which the legal remedy was adequate. It is said in the opinion, p. 530:-

> "Distinct and separate demands, arising out of a contract, give rise to separate causes of action upon which separate actions may be maintained. A severable contract may be severed and different actions brought thereon. <u>Fellows v. National Can Co.</u> (D.C.Mich.) 13 F.(2d) 213; 1 C.J. p. 111, Sec.285; <u>McIntosh v. Lord</u>, 49 Barb. (N.Y.) 550.

> "In order to come within the rule against splitting causes of action, the omitted claim must be (1) a part of the cause of action sued upon and (2) recoverable in such action.
>
> * * * * * * *
>
> "The claims for damages on account of the alleged breach of the covenant with regard to the diamond ring and automobile, and the claim for specific performance with reference to the $5000 and the land, while arising out of the same contract, are predicated upon separate and distinct breaches of separate and distinct covenants of that contract, which were to be performed at different times."

So it was held they were separate causes of action.

<u>Clancey v. McBride</u>, 169 N.E. 729; 338 Ill. 35

In an automobile accident the plaintiff suffered damages to her person and automobile. She obtained a judgment for the damage to her automobile which was pleaded in bar to her action for damages for her personal injuries. It was held not a defense. It is said in the opinion, p. 730:

> "The negligence of the defendant and the harm to the plaintiff are both essential elements of the action. An action for negligence is not brought to establish a bare right but to recover compensation for substantial injury or damage. The gist of the action is the harm to person or property negligently perpetrated. To support such an action there must be not only the negligent act, but also a consequential injury or damage which is the gravamen of the charge."

p. 730 - "If, however, as the result of such an act, the owner is injured and his vehicle is damaged, two separate and distinct wrongs are inflicted upon him for two of his rights, first, the right to the uninterrupted enjoyment of his body and limbs, and second, the right to have his property kept free from damage, are invaded. While both wrongs result from a single tortious act, yet the consequences of that act, it seems, give rise to a distinct cause of action for the vindication of each of the violated rights."

Ewanski v. Solvay Process Co., 238 N.Y.S. 508; 227 App. Div. 597. The defendant dumped waste into a creek flowing past plaintiff's land which in high water times flooded and deposited upon the land. Opinion, p. 511:

> "A separate and complete cause of action arose in favor of the plaintiffs each time that the defendant discharged its waste material upon their land. Meruk v. City of New York 223 N.Y. 271, 276, 119 N.E. 571; Uline v. New York Cent. & H.R.R.Co., 101 N.Y. 98, 4 N.E. 536, 54 Am.Rep. 661; Duryea v. Mayor, etc. of City of New York, 26 Hun. 120."

Merchant's Trust Co. v. Davis, 290 P. 383, (Idaho, 1930) Separate mortgages were executed for principal, additional interest and commission for negotiating a loan, all as part of one transaction. It was argued there could be but one action to recover the debt or debts. It was held that each constituted a separate transaction though consummated at one time.

Olsen v. Crow, 290 P. 233 (Or. 1930) Olsen gave Crow a note with sureties and also a note secured by a mortgage which was collateral to the first note and represented the same indebtedness but was given at a subsequent time. It was held each note constituted a separate cause of action.

The government argued that if there were but one cause of action the circumstances were such that the general rule against splitting a single cause of action should not be applied in this case. This alternative contention is made in reply brief, pages 83 to 92. It should not be applied to a case involving fraud against the government and in which the government sues not so much in its proprietary capacity but to vindicate statutes and public policy. The defendant was not misled into believing the former suit was the only claim of the government for the cancellation of leases for the present suit was pending before the former suit was tried. Separate trials for the two cases have not materially affected the cost of the defence for the two cases involved to such a great extent entirely different evidence and questions.

Expenses is the expense of paid experts.

Rejected

The rule against splitting a single cause of action is court made and subject to control by Congress. We think Judge Norcross erred in interpreting the resolution for the appointment of special counsel as authorizing special counsel to bring suit to set aside these leases. That resolution is as follows:-

(Public Resolution - No. 4 - 68th Congress.)

(S.J.Res.54)

Joint Resolution Directing the President to institute and prosecute suits to cancel certain leases of oil lands and incidental contracts, and for other purposes.

Whereas it appears from evidence taken by the Committee on Public Lands and Surveys of the United States Senate that certain lease of Naval Reserve Numbered 3, in the State of Wyoming, bearing date of April 7, 1922, made in form by the Government of the United States, through Albert B. Fall, Secretary of the Interior, and Edwin Denby, Secretary of the Navy, as lessor, to the Mammoth Oil Company, as lessee, and that certain contract between the Government of the United States and the Pan American Petroleum and Transport Company, dated April 25, 1922, signed by Edward C. Finney, Acting Secretary of the Interior, and Edwin Denby, Secretary of the Navy, relating among other things to the construction of oil tanks at Pearl Harbor, Territory of Hawaii, and that certain lease of Naval Reserve Numbered 1, in the State of California, bearing date December 11, 1922, made in form by the Government of the United States through Albert B. Fall, Secretary of the Interior, and Edwin Denby, Secretary of the Navy, as lessor, to the Pan American Petroleum Company, as lessee, were executed under circumstances indicating fraud and corruption; and

Confined to the 3 leases.

Whereas the said leases and contract were entered into without authority on the part of the officers purporting to act in the execution of the same for the United States and in violation of the laws of Congress; and

Whereas such leases and contract were made in defiance of the settled policy of the Government, adhered to through three successive administrations, to maintain in the ground a great reserve supply of oil adequate to the needs of the Navy in any emergency threatening the national security: Therefore be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the said leases and contract are against the public interest and that the lands embraced therein should be recovered and held for the purpose to which they were dedicated; and

Resolved further, That the President of the United States be, and he hereby is, authorized and directed immediately to cause suit to be instituted and prosecuted for the annulment and cancellation of the said leases and contract and all contracts incidental or supplemental thereto, to enjoin the further extraction of oil from the said reserves under said leases or from the territory covered by the

same, to secure any further appropriate incidental relief, and to prosecute such other actions or proceedings, civil and criminal, as may be warranted by the facts in relation to the making of the said leases and contract.

And the President is further authorized and directed to appoint, by and with the advice and consent of the Senate, special counsel who shall have charge and control of the prosecution of such litigation, anything in the statutes touching the powers of the Attorney General of the Department of Justice to the contrary notwithstanding.

Approved, February 8, 1924.

It will be observed that the foregoing Resolution specifically mentions the contract of April 25, 1922 and the lease of December 11, 1922, set aside in the former suit and authorized special counsel to prosecute suits for the cancellation of "all contracts incidental or supplemental thereto, to enjoin the further extraction of oil from said reserves under said leases or from the territory covered by the same, to secure any further appropriate incidental relief, and to prosecute such other actions or proceedings, civil or criminal, as may be warranted by the facts in relation to the said leases and contract." The leases involved in the case adjudicated by Judge Norcross were negotiated and executed before the contracts and leases mentioned in the resolution. They were not "incidental or supplemental" to the contracts and leases mentioned in the resolution. They were "incidental or supplemental" to the original transaction and conspiracy between Fall and Doheny. They do not involve "the territory covered by the" contracts and leases mentioned in the resolution. "The facts in relation to the making of said leases and contract" mentioned in the resolution do not alone warrant prosecution of the case adjudicated by Judge Norcross, thus special counsel did not have authority to include these leases in the former suit.

Our interpretation of the foregoing Senate resolution was the uniform administrative interpretation of it, for otherwise the Attorney General would not have been requested to bring this action and special counsel would have objected to it being brought by the Attorney General at the very time special counsel were trying the former action.

Nizet

Judge Norcross says that the United States Attorney for the Southern District of California participated with special counsel in the trial of the former case and that even if the special counsel were to have control and direction of the litigation involving the contracts and leases already set aside there was nothing to prevent the United States attorney directing and controlling the litigation with respect to those leases in the same proceeding. Thus, Judge Norcross suggests the anomaly of special counsel directing and controlling part of what he says is a single cause of action and the Attorney General directing and controlling another part of the same cause of action. This does not appeal to us in the least. We think that it shows that Congress split the single cause of action, if it were a single cause of action, and that under the decisions cited in our reply brief, page 88, Judge Norcross erred.

U.S. atty always acts. Not in charge here.

The general view is that the rule against splitting a single cause of action does not apply if for any reason the second proceeding involves matters not recoverable in the first proceeding. Brooks vs. Yarbrough, supra; Baltimore Steamship Company vs. Phillips, 274 U.S. and other cases cited in our argument upon this subject in the original and reply briefs. Di Ruscio v. Popoli, 169 N.E. 548 (Mass. 1930) Opinion p. 550.

> "In general a case ought to be tried at one time on all its issues and not heard in pieces, although special circumstances occasionally may justify a different course."

We are still of the opinion that the three leases involved in this case are voidable for fraud, and void for want of authority to make them for the purposes for which they were made and upon terms contained in them; that they were not ratified by Congress; that the voidance of them constitutes a separate cause of action from that adjudicated in the former case and even if a single cause of action has been split that is not a defense in view of Senate Resolution No. 54 (43 Stat. 5).

Respectfully submitted,
Atlee Pomerene
Thomas N. Kirby,
Frank Harrison, Special Assistants.

AP:V. 2-6-31 4 carbs. COPY

IN THE DISTRICT COURT OF THE UNITED STATES

IN AND FOR THE SOUTHERN DISTRICT OF CALIFORNIA

CENTRAL DIVISION

UNITED STATES OF AMERICA, Plaintiff, vs. PAN AMERICAN PETROLEUM COMPANY, a corporation, Defendant.	No. B-115 M. In Equity DECREE

The above entitled cause came on regularly for trial on the 2nd, 3rd, 4th, 5th, 6th, 9th, 10th, 11th, 12th, 13th, 16th and 17th days of December, 1929, and on the 15th, 16th, 17th and 18th days of April, 1930, before the Honorable Frank H. Norcross, Judge Presiding, in the above entitled court. The plaintiff appeared by Samuel W. McNabb, Esq., United States Attorney for the Southern District of California, and Atlee Pomerene, Esq., Thomas M. Kirby, Esq., and Frank Harrison, Esq., Special Assistants to the Attorney General of the United States, its solicitors. The defendant appeared by T. T. C. Gregory, Esq., and by Norman S. Sterry, Esq. of the firm of Gibson, Dunn & Crutcher, its solicitors.

The said causehaving been argued and submitted to the Court, and the Court having carefully considered the same, and having rendered a written opinion and decision, and written Findings of Fact and Conclusions of Law, wherein the Court reached the conclusion on the facts found that the plaintiff was not entitled to any of the relief prayed for in its amended bill of complaint nor to any relief at all;

NOW, THEREFORE, IT IS ORDERED, ADJUDGED AND DECREED

that the said amended bill of complaint herein, be and the same hereby is dismissed on the merits.

DATED, Carson City, Nevada, this 30th day of January, 1931.

Frank H. Norcross
District Judge.

P:H: 2-6-31 4 carbons C O P Y

IN THE DISTRICT COURT OF THE UNITED STATES
IN AND FOR THE SOUTHERN DISTRICT OF CALIFORNIA
CENTRAL DIVISION.

UNITED STATES OF AMERICA,
Plaintiff,
vs.
PAN AMERICAN PETROLEUM COMPANY, a corporation,
Defendant.

No. B-115-M

RESERVATION OF POWERS and RESERVATION OF EXCEPTIONS

The Court having been advised that it is the intention of the plaintiff to appeal from the decree now herein entered, and in view of such intention has requested the Court that the restraining order or injunction pendente lite heretofore issued in this cause, as the same subsequently may have been modified or affected by stipulation, understanding or agreement of the parties, be continued in force pending such appeal, power is hereby reserved to hereafter make any appropriate order concerning the continuance of said or any injunction pending appeal and final disposition of the case thereon, and inclusive of the time in which any such appeal or other review of the decree may be taken.

The Court reserves to the plaintiff its exceptions to each and every of the rulings of the Court herein; to the Findings of Fact and Conclusions of Law as made and reached by the Court, each collectively and severally, and to the failure of the Court to allow plaintiff's requested Findings of Fact and Conclusions of Law each so collectively and severally.

DATED, CARSON CITY, Nevada, this 30th day of January, 1931.

Frank H. Norcross,
District Judge.

AP:FW 2-6-31 4 carbons C O P Y

IN THE DISTRICT COURT OF THE UNITED STATES,
IN AND FOR THE SOUTHERN DISTRICT OF CALIFORNIA
CENTRAL DIVISION.

UNITED STATES OF AMERICA, Plaintiff, vs. PAN AMERICAN PETROLEUM COMPANY, a corporation, Defendant.	( )	No. B-115-M In Equity. FINDINGS OF FACT AND CONCLUSIONS OF LAW.

The above entitled cause came on regularly for trial on the 2nd, 3rd, 4th, 5th, 6th, 9th, 10th, 11th, 12th, 13th, 16th and 17th days of December, 1929, and the 15th, 16th, 17th and 18th days of April, 1930, before the Honorable Frank H. Norcross, Judge Presiding, in the above entitled court. The plaintiff appeared by Samuel W. McNabb, Esq., United States Attorney for the Southern District of California, and Atlee Pomerene, Esq., Thomas M. Kirby, Esq. and Frank M. Harrison, Esq., Special Assistants to the Attorney General of the United States, its solicitors. The defendant appeared by T. T. C. Gregory, Esq., and by Norman S. Sterry, Esq, of the firm of Gibson, Dunn & Crutcher, its solicitors.

Evidence, oral and documentary, was introduced by the respective parties, and the cause was tried, argued and submitted to the Court upon the issues presented by the amended bill of complaint and the answer thereto and amendments to said answer, and the Court having carefully considered all of the evidence submitted to it and being fully advised in the premises, makes the following:

FINDINGS OF FACT

I.

That the land described in subdivision (a) of Paragraph 5 of the amended bill of complaint was the land leased to defendant by an instrument designated in the amended bill of complaint as Visalia 010042, said lease being throughout the evidence designated and referred to as the "E" lease, and will be so designated hereinafter.

That the land described in subdivision (b) of Paragraph 5 of the amended bill of complaint was the land leased to W. R. Ramsey by an instrument designated in the amended bill of complaint as Visalia 010043, said lease being throughout the evidence designated and referred to as the "I" lease, and will be so designated hereinafter.

That the land described in subdivision (c) of Paragraph 5 of the amended bill of complaint was the land leased to the defendant by an instrument designated in the amended bill of complaint as Visalia 010097, said lease being thoughout the evidence designated and referred to as the "G" lease, and will be so designated hereinafter.

II.

That Albert B. Fall did not obtain or procure the promulgation of the Executive Order of May 31st, 1921, purporting to transfer the administration of Naval Petroleum Reserves from the Secretary of the Navy to the Secretary of the Interior, by any false or fraudulent representations, and the said Order was not known or believed by the Secretary of the Navy, the Secretary of the Interior or this defendant to have been falsely or fraudulently obtained, or to have been invalid at any time prior to the execution of the leases in question.

III.

During the whole of the years 1921 and 1922, the defendant herein was a wholly owned subsidiary of the Pan American Petroleum and Transport Company, hereinafter for brevity referred to as the "Transport Company". That during said years Edward L. Doheny was in complete control and domination of the said Transport Company, and of the defendant herein.

IV.

November 29, 1921, Fall called upon Doheny, pursuant to an arrangement made late in October or early in November, 1921, for delivery of One Hundred Thousand Dollars ($100,000) for Fall's personal use. On November 30, 1921, Doheny had his son obtain the money by the use of a check of his son and sent it in currency by his son to Fall at Washington. A few weeks later Doheny reimbursed his son. No entry of the transaction was made upon any books of Doheny, the Transport Company, or the defendant. Bank records would not show receipt of money by Fall from Doheny. Fall gave Doheny, Jr. his demand note for the money, payable to Doheny and the son delivered the note to his father. A few weeks thereafter Doheny tore Fall's signature from the note. The purpose of the tearing was that it would be unenforcible in the hands of third parties. At the time Doheny gave Fall the money, it was understood between them that Fall need not repay the same or any part thereof, in kind. Doheny expected at that time to cause the Transport Company or the defendant to employ Fall at a salary sufficiently large to enable him out of one-half thereof to pay off the $100,000 in five or six years. Doheny at that time expected Fall to leave the Government service in March, 1922, or shortly thereafter. Fall carried the currency to El Paso, Texas; used Ten Thous-

and Dollars ($10,000) of it as a down payment on the purchase of a ranch and subsequently used a large portion of it for the purchase of cashiers' checks to apply on the purchase price of the ranch, and deposited the balance in several banks, completing his payments on account of the purchase of the ranch by checks drawn on such accounts. Up to at least October, 1924, nothing had been paid on the note to Doheny on account of either principal or interest.

V.

That prior to the promulgation of the said Executive Order of May 31st, 1921, the Secretary of the Navy had called for bids for a lease along the northerly portion of Section 1, Township 31 South, Range 25 East M. D. B. & M., in Naval Petroleum Reserve No. 1; that the defendant herein submitted the highest and best bid for said lease, said bid being for a royalty of 55½ per cent of the oil and gas produced by the lessee; that said bids were received subsequent to said Executive Order of May 31st, 1921, and the bid of defendant was accepted by the said Albert B. Fall, acting for and on behalf of the Secretary of the Navy; that the defendant, acting by and through said Edward L. Doheny, consented that instead of receiving a lease for the entire strip of land bid upon, a portion of said lease for eight wells might be awarded to the United Midway Oil Land Company at the royalty bid by defendant, in settlement of all pending claims of said United Midway Oil Land Company against or upon said Section 1 of said Naval Petroleum Reserve No. 1; that pursuant thereto, there was executed and delivered to the said United Midway Oil Land Company the lease referred to in paragraph 12 of the amended bill of complaint herein, said lease being executed on behalf of plaintiff by said Albert B. Fall as Secretary of the Interior, bearing date of July 8th, 1921, and being referred to throughout the evidence as the "H" lease and being so designated hereinafter. That said "H" lease called for the drilling of eight wells by the lessee.

That the balance of said strip of land bid upon by defendant was leased directly to defendant and called for the drilling of fourteen wells by the lessee, said lease being executed on behalf of plaintiff by said Albert B. Fall as Secretary of the Interior, bearing date of July 12th, 1921, being one of the leases referred to in paragraph 11 of the amended bill of complaint, and was referred to throughout the evidence as the "D" lease and will be so designated hereinafter.

VI.

That thereafter, with the consent of plaintiff, one W. R. Ramsey succeeded to all the right and interest of the United Midway Oil Land Company in, to and under said "H" lease.

VII.

That the said "H" and "D" leases had been granted for the purpose of protecting said Naval Petroleum Reserve and said Section 1 thereof from drainage by wells drilled on land outside of said Reserve and immediately to the north and to the east of said Section 1 of said Naval Petroleum Reserve; that the said leases were wholly inadequate to protect Section 1 of said Reserve from drainage, and that the interests of plaintiff, and especially of the Navy Department, required the drilling of all or the greater portion of said Section 1 to protect the same from depletion of its oil by drainage from wells contiguous to, but without said Naval Petroleum Reserve.

VIII.

That prior to the 22nd day of November, 1921, the said W. R. Ramsey had brought in three wells upon the said "H" lease, and the defendant herein had brought in five wells upon the "D" lease, and that the wells on both the "H" and "D" leases showed that the land covered by said "H" and "D" leases had been very extensively drained by wells without the Reserve. Further, that the wells drilled upon the "H" lease were of such small production as to make it appear unprofitable for said Ramsey to continue the drilling and operation of said lease.

That said Ramsey and his associates felt that it was imperative that they have some relief from the royalty of 55½ per cent reserved by said "H" lease, and requested and induced the defendant herein to join with them in applying to the said Albert B. Fall, as Secretary of the Interior, for a reduction in the royalties reserved by said "H" and "D" leases. That the applications of the said Ramsey and of defendant were denied. That prior to the granting of the "I" lease, the said Ramsey was seriously considering abandoning and surrendering the said "H" lease. That the Bureau of Mines believed, and had reason to believe, that therewas grave danger of the "H" lease being abandoned and that such abandonment of said "H" lease would be very detrimental to the interests of the plaintiff herein, and especially of its Navy Department, and so advised the said Albert B. Fall and Admiral J. K. Robison who, in turn, advised the Secretary of the Navy to said effect. That said Bureau of Mines further advised said Albert B. Fall and Edward C. Finney, and the Secretary of the Navy through Admiral Robison, that in the opinion of the said Bureau further and additional land should be granted to the lessees of the "H" and "D" leases, and that

it was necessary, for the protection of the interests of plaintiff and to protect said Section 1 from being depleted of its oil and gas contents by wells contiguous to and outside of the Reserve, that all or the greater portion of said Section be leased and drilled. That said advice of the Bureau of Mines was honestly given and was accepted as correct by said Albert B. Fall and By said Admiral J. K. Robison and by the Secretary of the Navy.

The Court further finds that the situation with reference to the probable abandonment of said "H" lease and the depletion of the oil and gas underlying said Section by drainage from wells outside of the Reserve, was of acute emergency. That the said "I" lease was made and executed by and on behalf of plaintiff herein by Edward C. Finney, First Assistant Secretary of the Interior, on the advice and recommendation of the Bureau of Mines and on the authorization of said Albert B. Fall as Secretary of the Interior, and on the direction and authorization of the Secretary of the Navy; that the purpose for which said "I" lease was granted was to meet the exigency, hereinbefore found, of said Section being drained of its underlying oil and gas contents by wells drilled upon land immediately adjacent to said Section but outside of said Reserve, and to protect the land covered by said lease, as well as the balance of said Section, from being so drained of its oil and gas contents, and also for the purpose of preventing the surrender of said "H" lease and of preserving to plaintiff the high royalties reserved in said "H" lease. That the granting of the "I" lease was uninfluenced in any way by the relations between said Albert B. Fall and Edward L. Doheny as shown by the facts found in Finding IV hereof.

The Court further finds that the making and execut-

ing of said "I" lease was necessary for the protection of the interests of the plaintiff herein, and especially of its Navy Department, and that the royalties reserved in said lease were fair and reasonable royalties and, under the circumstances, as high as plaintiff could reasonably anticipatereceiving.

IX.

That after the execution of the "I" lease, the defendant, in good faith and for valuable consideration, purchased the "H" and "I" leases from the said W. R. Ramsey.

That prior to the execution of said "I" lease there was not any understanding or agreement whatsoever between the said Ramsey and/or the United Midway Oil Land Company and the said Edward L. Doheny or the defendant herein, that either the said "H" or "I" lease would be assigned or sold to the defendant herein, and the Court finds that there was no intent upon the part of said Ramsey or any one representing him, or upon the part of any person representing the plaintiff, in the negotiation, authorization or execution of said "I" lease to commit any fraud upon the plaintiff or to circumvent the laws or defeat the policies of the United States by the making of said "I" lease.

X.

That on the first day of December, 1921, the Bureau of Mines, under and pursuant to the directions of the said Albert B. Fall, sent to the leading oil companies on the Pacific Coast invitations for bids for a lease covering a strip of land nine hundred (900) feet in width along the northern boundary of Section 2, Township 31 South, Range 24 East M. D. B. & M., the lessee to drill eighteen wells upon said strip.

The lease thereafter made upon said strip of land was referred to throughout the evidence as the "F" lease, and will be so designated hereinafter.

Bids for the said "F" lease were called for the purpose of protecting said Section 2 from drainage by wells drilled and reasonably expected to be drilled upon land immediately outside of and contiguous to said Section 2 within the Reserve. That bids for said lease were received from all of the oil companies to whom invitations were sent, and from a number of other bidders; that when received, the bids were referred to and canvassed by the Bureau of Mines, and it was found that the bid submitted by defendant was the highest and best bid received.

XI.

That on January 1, 1907, nearly three years before the land embraced within said Section 2 of said Naval Petroleum Reserve No. 1 had been withdrawn from entry, one R. J. White had posted placer mining location notices, containing the names of other co-locators, on each of the four quarter sections of said Section 2, and said notices had been duly recorded on January 7th, 1907, and on or about the 23rd day of February, 1911, more than a year prior to the withdrawal from entry of said Section 2 of Naval Petroleum Reserve No. 1, the said R. J. White had filed in the United States Land Office at Visalia, California, applications for patents for all of said Section 2, together with the supporting affidavits of two claimed disinterested persons as to the discovery of minerals upon each of said quarter sections, and the requisite amount of labor and improvements upon said claims. That said applications for patents were pending and undisposed of on said first day of December, 1921, at the time of the call for bids for said "F" lease. That at said time H. T. Coffin had acquired a one-half interest in said appli-

cations and in any patents that might be issued thereon, and the said White and Coffin believed in good faith that their said applications for patents were valid and enforceable and entitled them to receive patents to the whole of said Section.

XII.

That after the bids for said "F" lease had been received and canvassed by the Bureau of Mines, and it had been determined that the bid of the defendant herein was the highest and best bid received, the said Edward C. Finney, First Assistant Secretary of the Interior, informed the Secretary of the Navy, through Admiral Robison, and the defendant herein, as well as the Bureau of Mines, that no lease could be made upon said Section 2, or anything done to protect that Section from being drained of its underlying oil and gas contents until said pending applications for patents had been disposed of, and that disposition of said applications might consume considerable time, and if decided adversely to plaintiff the title to the entire Section, and to all gas, oil and minerals therein, would be lost to the plaintiff and to its Navy Department. That said Edward C. Finney gave said advice honestly and in good faith and the same was accepted and believed to be correct by the said Admiral Robison, the Secretary of the Navy and the Bureau of Mines.

XIII.

The Court finds that an acute emergency existed with reference to said Section 2; that producing wells had already been drilled by the Pacific Oil Company upon Section 35 outside of the Reserve and immediately adjoining and north of said Section 2 within the Reserve, and said Pacific Oil Company was apparently making preparations to intensive-

ly drill the whole of said Section 35, and that it was vitally necessary, in order to protect the interests of the plaintiff herein and of its Navy Department, that not only should the eighteen wells be drilled upon said strip designated as the "F" lease, but also that the remainder of the north half of said Section 2 - if not the entire Section - should be drilled with a corresponding number of wells to those drilled on the Section immediately to the north of said Section 2.

The Court further finds that the Secretary of the Navy, Admiral Robison, the Bureau of Mines and the said Edward C. Finney each and all fully realized and honestly believed that it was necessary, in order to protect the interests of plaintiff and of its Navy Department, that the title to said Section 2 be cleared of said applications for patents as soon as possible in order that said "F" lease might be granted without delay and the strip of land leased thereby be drilled, and the Secretary of the Navy, Admiral Robison, the Bureau of Mines and the said Edward C. Finney further honestly believed that the protection of said Section from drainage required the drilling of at least the north half of said Section.

XIV.

That after bids had been invited for said "F" lease, the said White and Coffin, through their duly authorized agents and representatives, and on their own initiative, opened negotiations with J. C. Anderson, then President and General Manager of defendant, and entered into an agreement with defendant, through said J. C. Anderson, wherein and whereby said White and Coffin agreed, for a valuable consideration, to wit, an overriding royalty of 7½ per cent of all oil and gas that might be produced from any lease awarded defendant upon said Section 2 pursuant to its bid, to quit-

claim all of their right and interest in and to said Section 2; that said agreement between defendant and the said White and Coffin was made, as aforesaid, by defendant acting through J. C. Anderson, its President and General Manager, and without the knowledge or direction of the said Edward L. Doheny. That after said agreement between defendant and the said White and Coffin had been consummated, one J. J. Cotter, a Vice President of the defendant, offered to said Edward C. Finney, First Assistant Secretary of the Interior, to cause the quitclaim deeds of said applicants for patents to Section 2 to be delivered to the plaintiff herein if said plaintiff would grant the said "F" lease to defendant at the royalties which it had bid therefor, and lease the balance of said Section 2 to defendant at what was known as the regulation royalties of the Department of the Interior.

That said Edward C. Finney did not accept said proposal but offered as a counter proposal to the defendant herein, subject to the approval of the Secretary of the Interior, to execute said "F" lease to defendant on the royalties bid therefor by defendant, and to execute to defendant a lease of the remainder of the north half of said Section 2 at the regulation royalties of the Department of the Interior, in consideration of receiving the quitclaim deeds of said applicants for patents to said Section 2. That said counter proposal of said Edward C. Finney was accepted by the said J. J. Cotter, acting for the defendant, and thereupon the said Cotter submitted a formal written offer to cause quitclaim deeds by the holders of said applications for patents to be delivered to the plaintiff, in consideration of the defendant being granted the "F" lease at the royalties bid therefor, and a lease of the remainder of the north half of said Section 2 at regulation royalties. The

written offer of said J. J. Cotter was submitted by Edward C. Finney to the Bureau of Mines, and said Bureau of Mines recommended, in writing, to the said Edward C. Finney that the offer be accepted. That said Edward C. Finney transmitted the recommendation of the Bureau of Mines to Albert B. Fall with a letter, in which said Finney approved the recommendation of the Bureau of Mines and recommended that the offer of said Cotter be accepted. That in making said recommendations both the Bureau of Mines and the said Edward C. Finney acted honestly and in good faith. That upon receiving the letter of Edward C. Finney with the report of the Bureau of Mines, the said Albert B. Fall endorsed the word "Approved" upon the letter from Edward C. Finney; that Albert B. Fall had no other or further connection with the making of said "G" lease, and that in giving his approval of said lease the said Fall acted upon the recommendation of the said Edward C. Finney and of said Bureau of Mines.

XV.

That before submitting the said written offer of defendant to the Secretary of the Interior with his own recommendation and the recommendation of the Bureau of Mines, the said Edward C. Finney, through Admiral Robison, had informed the Secretary of the Navy of said offer of J. J. Cotter, and the Secretary of the Navy, through Admiral Robison had authorized and directed the said Edward C. Finney to accept said offer and to lease to defendant herein the remainder of the north half of said Section 2 at regulation royalties, and advised said Finney that the Secretary of the Navy deemed it important and advisable to grant said lease in order to obtain the said quitclaim deeds to said Section 2, and to issue the said "F" lease to defendant at the royalties which it had bid therefor.

That after the acceptance of said offer of J. J. Cotter for and on behalf of defendant had been authorized and approved by said Albert B. Fall, Secretary of the Interior, and by the Secretary of the Navy acting by and through said Admiral Robison, the said "F" lease was executed by and on behalf of plaintiff by Edward C. Finney, First Assistant Secretary of the Interior, on the 8th day of February, 1922, and on the same date, to wit, February 8th, 1922, a lease to defendant of the remainder of the north half of said Section 2, at regulation royalties, was executed by plaintiff by and through said Edward C. Finney, First Assistant Secretary of the Interior. That said last mentioned lease was, as hereinbefore stated in Finding I hereof, designated and referred to throughout the evidence as the "G" lease, and will be so designated hereinafter.

XVII.

That said Edward L. Doheny had nothing whatever to do with the negotiations for or execution of the "G" lease, and said Albert B. Fall had no other connection with the granting and execution of said "G" lease than to approve its execution after it had been recommended, as hereinbefore found, by Edward C. Finney, First Assistant Secretary of the Interior, and by the Bureau of Mines. That the execution of said "G" lease was authorized and directed, as hereinbefore found, by the Secretary of the Navy, acting by and through Admiral Robison, and its execution was not, in any way, shape or manner, connected with or influenced by the relations between the said Albert B. Fall and Edward L. Doheny, as shown by the facts found in Finding IV hereof.

XVIII.

That neither the "F" nor the "G" lease was given as the result of any fraud, corruption or collusion, nor for the purpose of favoring said Edward L. Doheny or the defendant herein, but both leases were executed for the protection of the interests of plaintiff herein, and especially the interests of the Navy Department, and to meet the acute emergency with which plaintiff was then faced, if said leases were not executed, of having said Section 2 drained of its underlying oil and gas contents by wells drilled and reasonably expected to be drilled on land contiguous to said Section but without the boundaries of said Naval Petroleum Reserve, and that said "G" lease was not given for the purpose of relieving the defendant from the high royalties which it had bid for said "F" lease but was given for the reasons hereinbefore found and to enable plaintiff to execute the said "F" lease to the defendant without delay and in consideration of receiving the quit-claim deeds of the applicants for patents to said Section 2. That the consideration for said "G" lease, including the royalties therein reserved, was fair and reasonable and the execution of said "G" lease was for the best interests of the plaintiff and its execution was believed by all persons representing the plaintiff in the negotiation and execution of said lease to be for the best interests of said plaintiff, and was likewise believed by all persons representing the defendant or taking any part in the negotiation and execution of said lease, to be a fair and equitable lease and given upon equitable and valid considerations; that said Cotter, in offering to the said Edward C. Finney to deliver to plaintiff the quitclaim deeds of the applicants for patents to said Section, in consideration of said lease being granted to defendant, did so in good faith and in the belief that the said

applications for patents were valid and the delivery of said quitclaim deeds to plaintiff would be of great benefit to plaintiff; and the Court finds that there was no intent upon the part of any person representing either the plaintiff or the defendant in the negotiation, authorization or execution of said "G" lease to commit any fraud upon the plaintiff or to circumvent the laws or defeat the policies of the United States by the making of said "G" lease.

XIX.

That applications for patents had been filed by the said R. J. White in good faith and in a bona fide belief that he was entitled to have patents issued to him; that a one-half interest in said applications and in the right, if any, to patents to be issued thereunder, had been acquired by the said H. T. Coffin in good faith and for a valuable consideration and in the bona fide belief that said applications were valid and enforceable; that there was no collusion or conspiracy whatever between White and Coffin with any person in connection with said applications for patents on said Section 2; that at the time the agreement was entered into between said White and Coffin and the defendant herein, acting through J. C. Anderson, the said J. C. Anderson believed, and had reason to believe, that said applications were pending in good faith and were valid and enforceable and entitled the said White and Coffin to have patents issued to them, and the said J. C. Anderson did so believe and entered into the agreement with the said White and Coffin in good faith and without any intention of committing any fraud upon the plaintiff herein, and that in the payment of the over-riding royalty of $7\frac{1}{2}$ per cent which defendant had agreed to make to said White and Coffin and/or their assigns, defendant had, prior to the time of trial paid out more than ...

dollars. That the plaintiff duly accepted and recorded the said quitclaim deeds to said Section 2, and has retained the benefit thereof.

XX.

Prior to the granting of the "E" lease, the said Albert B. Fall had been advised by the Bureau of Mines that it was necessary for the protection of the interests of the plaintiff, and especially of its Navy Department, that the whole of said Section 1 should be drilled to offset the massed drilling on land contiguous to the east and to the north of said Section but outside of said Reserve; that the Bureau of Mines, in giving said advice to Albert B. Fall, acted honestly and in good faith, and the said Fall accepted said advice as correct.

The Court further finds that it was necessary, for the protection of the interests of plaintiff herein, and especially of its Navy Department, that the whole of said Section should have been leased and drilled long prior to the execution of the "E" lease; that the offset wells drilled upon said "H" and "D" leases were wholly inadequate to protect said Section from drainage of the oil and gas underlying said Section, by the massed drilling of wells on land outside the Reserve and immediately contiguous to the east and north of said Section 1 within the Reserve.

XXI.

The Court finds that the granting of said "E" lease to defendant was for the purpose of protecting the interests of plaintiff herein, and of its Navy Department, and especially for the purpose of protecting the said Section from drainage by wells immediately outside of the Reserve and to the north and east of said Section, and that the granting of said lease was authorized and directed by the Secretary of

the Navy. That the granting of the said "E" lease directly to defendant was caused by the applications of the defendant herein and of the said W. R. Ramsey, as hereinbefore found, for relief from the high royalties reserved by the "H" and "D" leases, but the Court further finds that at the time of the granting of the said "E" lease there was no apparent danger of the defendant herein abandoning the said "D" lease, and that there was no apprehension of such danger by either the Secretary of the Navy or the said Albert B. Fall, or the Bureau of Mines, or any one representing the said plaintiff.

XXII.

That, as hereinbefore found, the "E", "G" and "I" leases were executed by Edward C. Finney, acting as First Assistant Secretary of the Interior; that in executing each of said leases the said Edward C. Finney was acting for and on behalf of the Secretary of the Navy with the consent and at the direction of said Secretary of the Navy.

XXIII.

That copies of said "F", "H", "D", "E", "G" and "I" leases were all sent to the Secretary of the Navy, and said Secretary of the Navy was fully advised of the execution and of the terms and conditions of each of said leases and, as hereinbefore found, authorized and directed the execution of each of said leases, and thereafter ratified and approved their execution.

XXIV.

That on or about the 24th day of May, 1922, the Secretary of the Interior, acting for the Secretary of the Navy and with the consent and approval of said Secretary of the Navy, consolidated the three leases "E", "G" and "I", into one lease, a true and correct copy of which is attached to the amended bill of complaint as Exhibit "F". That no ad-

ditional consideration was paid for the execution of said consolidated lease, the sole purpose being for the mutual convenience of plaintiff and defendant herein.

That each of said leases contained the same provisions and the same royalty, and that the royalties reserved in each were what is known and designated as the regulation royalties of the Department of the Interior.

XXV.

That at the time of, and prior to, the execution and delivery of said "E", "G" and "I" leases, neither the said Edward C. Finney, the Secretary of the Navy, Admiral Robison nor any person connected with the Bureau of Mines, nor any officer or employee of the Navy Department or of the Department of the Interior, other than the said Albert B. Fall, nor any officer, servant, agent or employee of defendant, other than the said Edward L. Doheny, knew anything of the relations between said Albert B. Fall and Edward L. Doheny as disclosed by the facts found in Finding IV hereof. That neither the said Edward C. Finney, the Secretary of the Navy, Admiral Robison nor any person connected with the Bureau of Mines or with the Navy Department or with the Department of the Interior, other than the said Albert B. Fall, had any improper relations with the said Edward L. Doheny or with the defendant herein, and that the Bureau of Mines and all persons connected therewith, and the said Edward C. Finney, the Secretary of the Navy and Admiral Robison, in all of the actions taken by each of them, acted honestly and in good faith and in what each believed to be for the best interests of the plaintiff herein.

XXV.

That the defendant herein has, at all times, complied with all the terms and provisions of the said "E", "G"

and "I" leases and with all the terms and provisions of the consolidated lease, and has duly accounted to the plaintiff herein, and to its Navy Department, for all royalties reserved under the said three leases.

XXVI.

That after the execution of the said "F", "H", "D", "E", "G" and "I" leases, each of said leases, together with all other leases made in Naval Petroleum Reserves Nos. 1, 2 and 3, were reported to Congress and copies of said leases were transmitted to Congress by the Secretary of the Interior, and Congress was fully informed and fully advised of the execution of the said "F","H", "D", "E", "G" and "I" leases, the purposes for which, and the circumstances under which they were executed, and of their terms and provisions, and was also fully advised of the circumstances under which the aforesaid leases and contracts of April 25th, 1922, June 5th, 1922 and December 11th, 1922, were executed, and of the relations between the said Albert B. Fall and Edward L. Doheny, and of the payment to and receipt by said Albert B. Fall of said One Hundred Thousand Dollars ($100,000) and the circumstances under which said payment was made, and of the fact that this defendant was drilling and operating wells upon the said "F", "H", "D", "E", "G" and "I" leases, and that defendant would incur expense in the drilling of further wells upon any of said leases, and was incurring daily expenses in the operation of wells upon said leases, and Congress was further fully advised that it was claimed by defendant that said leases were in the nature of protective leases to prevent the depletion and drainage of the oil and gas underlying said Sections 1 and 2 by wells on lands immediately contiguous to said Sections but outside said Naval Petroleum Reserve No. 1, and at the time of, and prior to, the passage

of Joint Resolution 54, hereinafter cited, Congress was fully informed and advised as to the necessity for the further drilling of said leases and the continued operation of the wells drilled thereon to protect said Sections 1 and 2 within the Reserve, and other sections within said Reserve, from being drained of the underlying oil and gas by wells contiguous to but outside of said Reserve.

XXVII.

That on June 5th, 1922, there had been executed in the name of plaintiff herein, by Edward C. Finney, as First Assistant Secretary of the Interior, purporting to act for and on behalf of the Secretary of the Navy, a lease to the Belridge Oil Company of a strip of land on the easterly line of Section 34, Township 30 South, Range 24 East, M. D. B. & M. which said lease was referred to throughout the evidence and will be hereinafter designated as the "Belridge lease". That except as to the name of the lessee, the date of said lease, the royalty reserved, and the description of the land leased, the terms and provisions of said Belridge lease were identical with the terms and provisions of the said "F", "H", "D", "E", "G" and "I" leases.

That Edward C. Finney, as First Assistant Secretary of the Interior, and purporting to act for and on behalf of the Secretary of the Navy, had also executed in the name of the plaintiff herein a great number of oil and gas leases to various portions of Naval Petroleum Reserve No. 2. That said leases so executed by him, except for thename of the lessee, the date, the description of the land leased, and the amount of royalty reserved, were identical with the terms and provisions of the said "F", "H", "D", "E", "G" and "I" leases.

That all leases of any part of Naval Petroleum Reserves Nos. 1, 2 and 3, including the leases hereinbefore

found to have been made by said Edward C. Finney in the name of plaintiff to portions of Naval Petroleum Reserve No. 2, and the said Belridge lease, and the said "E", "G" and "I" leases, were fully reported to Congress, and copies of each and all of said leases were transmitted to Congress, and the Congress of the United States, with full knowledge of the facts aforesaid, and of all of said leases and of their terms and conditions, on or about the 8th day of February, 1924, duly and regularly adopted the Senate Joint Resolution 54. 68th Congress. 43 U. S. Stat. Part 1, p. 5, Chap. 16.

That said Rsolution was duly approved by the President of the United States on February 8th, 1924. Said Resolution was referred to throughout the evidence and will be herein designated as "Joint Resolution 54".

XXVIII.

That at the time of the passage of said Joint Resolution 54 and at all times thereafter, the Congress of the United States was fully advised of the terms and conditions of the said "E", "G" and "I" leases and that each had been executed in thename of the United States of America by Edward C. Finney; that the wells thereon were being drilled and operated by the defendant herein under the claim and belief by defendant that their operation was necessary to protect the said Sections, and other portions of said Reserve, from being drained of the underlying oil and gas by wells outside of said Reserve, and that in the operation of said wells the defendant would each day incur heavy cost and expense. The Congress of the United States, with full knowledge of the facts as herein found, at no time took any action toward directing the cancellation of any of the leases made and executed in Naval Petroleum Reserves Nos. 1, 2 or 3, nor to express disapproval of any of said leases or of their terms

or conditions, other than as set out in said Joint Resolution 54.

XXIX.

That from and after the execution of the "E", "G" and "I" leases, the defendant and the said Ramsey, until the assignment by said Ramsey to defendant of the "H" and "I" leases, and thereafter the said defendant, fully complied with all of the terms and provisions of each of said leases imposed upon the lessee, and, as hereinbefore found, at all times fully accounted to the plaintiff and to its Navy Department for all royalties reserved by said leases, and within the times and in the manner provided in each lease, and such extension of time as plaintiff granted therefor, drilled wells upon said leases, and during the time of said Congressional investigation and prior to and at the time of the passage of said Joint Resolution 54, was drilling wells upon said leases and continued to drill wells thereon until enjoined from further drilling by the Order of this Court filed on the 13th day of October, 1924; that the said Ramsey and said defendant incurred heavy costs and expense in drilling and developing said wells and incurred heavy daily expense in the maintenance and operation of the wells drilled upon said leases.

XXX.

That the Congress of the United States, by the passage of its said Joint Resolution 54, and by its failure to denounce the "G" or the "I" lease, or to direct any proceedings for the cancellation thereof, ratified and approved all of the terms and provisions of said "G" and "I" leases.

The Court finds it unnecessary to determine whether Congress, by its failure to denounce the "E" lease, intended to thereby ratify said lease notwithstanding the fact that

its execution may have been influenced, to some extent, by the said relations and transactions between Albert B. Fall and Edward L. Doheny, as found in Finding IV hereof.

XXXI.

That after the passage and approval of said Joint Resolution 54 on February 8th, 1924, the President of the United States duly and regularly appointed the Honorable Owen J. Roberts and the Honorable Atlee Pomerene as special counsel for the plaintiff herein, to institute and prosecute the suits directed to be brought by the Congress of the United States in said Joint Resolution 54, and the Senate duly confirmed their appointment; that acting by and through said special counsel and the United States District Attorney for the Southern District of California, the plaintiff herein instituted in this Court an action, numbered B-100-M, against the defendant herein and the said Transport Company; that said suit was referred to throughout the evidence and will be herein designated as the first Pan American suit. That in said first Pan American suit the plaintiff herein, by its bill of complaint sought the cancellation of said leases and contracts of April 25th, June 5th and December 11th, 1922, and an accounting to the plaintiff for all oil and gas taken by the defendants from the lands so leased to them, but did not seek any decree or relief in respect to the "E", "G" or "I" leases. Said defendants appeared therein and filed their answer to said bill of complaint and the said cause went to trial on the issues presented by the bill of complaint and answer thereto, before the Honorable Paul J. McCormick, and resulted in a final judgment and decree granting the entire relief prayed for by the plaintiff therein, but not granting any relief in respect to the "E", "G" or "I" leases.

XXXII.

That in said first Pan American suit neither the said amended bill of complaint nor the answer thereto tendered any issue as to the validity of the "E", "G" or "I" lease or the consolidated lease, but that in the trial of said first Pan American suit the plaintiff therein, as part of its proof to sustain its bill, placed in evidence substantially all of the facts and circumstances placed in evidence by the plaintiff herein as to the execution of the "E", "G" and "I" leases and the "F", "H" and "D" leases, and requested and obtained from the Court findings as to the execution of the said "E", "G" and "I" leases.

XXXIII.

That except as above recited, the said parties did not litigate the validity of the said "E", "G" and "I" leases in said first Pan American suit. That the evidence offered at the trial herein, and relied on by the plaintiff to sustain the averments of the amended bill of complaint herein, is substantially the same evidence as was offered at the trial of said first Pan American suit to sustain the averments of the amended bill of complaint therein.

XXXIV.

That the "E", "G" and "I" leases were not made to circumvent the laws and defeat the policies of the United States, and especially the conservation of Naval Petroleum Reserve No. 1, but upon the contrary said leases were made primarily to more effectually protect the said Reserve from drainage by wells located immediately outside its boundaries.

From the foregoing Findings of Fact, the Court makes the following

CONCLUSIONS OF LAW

I.

That the said Executive Order of May 31, 1921, attempting to transfer the administration of the Naval Petroleum Reserves from the Secretary of the Navy to the Secretary of the Interior was invalid.

II.

That by the provisions of the Act of Congress of June 4, 1920 (U.S.C.A. Title 34, Sec. 524), portions of the Naval Reserves upon which applications for patents were pending under the mining laws were excluded from the possession of the Secretary of the Navy and until the disposal of such applications for patent remained under the control of the Department of the Interior.

III.

That the execution of the said "E", "G" and "I" leases by Edward C. Finney as First Assistant Secretary of the Interior, at the direction and with the consent of and later ratification by the Secretary of the Navy, removed any invalidity in the execution of said leases so far as such invalidity is claimed to or did arise by reason of the execution of said leases by the First Assistant Secretary of the Interior rather than by the Secretary of the Navy.

IV.

That in executing said Leases, the said Edward C. Finney was acting as the agent of and for and on behalf of the Navy Department, and that the said leases were not rendered invalid because not given as a result of competitive bidding.

V.

That the "G" and "I" leases at the time made were and ever since have been valid leases.

VI.

That the "G" and "I" leases have been ratified by the Congress of the United States.

VII.

That in any suit to cancel the "G" lease a tender back of the quitclaim deed and an offer to restore the status of the application for patent to placer claims on Section 2 was essential.

VIII.

That the "E" lease was voidable at the instance of the United States, because contra bonos mores and against public policy by reason of the relations existing at the time of its execution between the then president of the defendant company, Edward L. Doheny, and the then Secretary of the Interior, Albert B. Fall.

IX.

That in so far as the said "E" lease was affected by the relations existing between the said Albert B. Fall and Edward L. Doheny, its cancellation was a necessary and incidental part of the cause of action of the first Pan American suit, and that the decree therein was the measure of plaintiff's right of relief on account of the relations between or any fraud or conspiracy of said Albert B. Fall and Edward L. Doheny, and constitutes a complete bar to the prosecution by the plaintiff of any suit or action for any further relief because or on account of the said relations or any fraud or conspiracy as alleged and found in said first Pan American suit or in this suit.

X.

That the plaintiff is not entitled to any of the relief prayed for in its amended bill of complaint.

XI.

That the defendant herein is not entitled to its costs against the plaintiff herein.

XII.

That said amended bill of complaint should be dismissed on the merits.

DATED, Carson City, Nevada, this 30th day of January, 1931.

Frank H. Norcross
District Judge.

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IN THE DISTRICT COURT OF THE UNITED STATES
[illegible] DISTRICT OF CALIFORNIA
[illegible] DIVISION

THE REPUBLIC SUPPLY COMPANY OF CALIFORNIA, a corporation, Plaintiff, vs. RICHFIELD OIL COMPANY OF CALIFORNIA, a corporation, Defendant.	( ) ( ) ( ) ( ) ( ) ( ) (	IN EQUITY No. S-125-J Filed 1-[illegible]1-31

To the Honorable Judges of the District Court of the United States for the Southern District of California, Central Division:

The petition of William C. McDuffie in the above entitled cause respectfully shows to the Court as follows:

I.

That under decree of the Court herein granted and entered the 15th day of January, 1931, he was duly appointed Receiver herein, and that subsequently he duly executed and filed the bond required of him to be filed under the terms and conditions of said decree, and entered upon his duties as Receiver herein and is now acting as such.

II.

That at the time your petitioner was appointed Receiver herein the defendant was in possession and carrying on its business through not only the facilities owned by the defendant but also through facilities owned by the following subsidiaries of defendant, to-wit:

Name of Subsidiary	Percentage of outstanding shares owned by Richfield Oil Company of California, including directors' qualifying shares.
Pan American Petroleum Company, a California corporation	100%

The United Oil Company, a California corporation	99%
Richfield Oil Company, a California corporation	100% owned by the United Oil Co.
Signal Hill Gasoline Company, a California corporation	100%
Richfield Oil Company of California, a Nevada corporation	100%

III.

That in pursuance of the order entered herein on the 15th day of January, 1931, and in pursuance of subsequent orders entered in the United States District Courts for the Northern District of California, District of Oregon, Western District of Washington, Eastern District of Washington and District of Arizona in ancillary proceedings for the appointment of the Receiver as ancillary receiver in said districts, the defendant delivered to your petitioner not only the property of the defendant, but also all of the property of said subsidiaries then in the possession of defendant as aforesaid situated in this and the aforementioned United States judicial districts.

IV.

That the possession of the defendant of the properties of Pan American Petroleum Company was under a written operating agreement, a copy of which is attached hereto marked Exhibit "A" and made a part hereof as if set forth herein at length, under the terms of which the defendant is to supervise, manage and direct all operations of Pan American Petroleum Company, and defendant to receive and retain the proceeds of such operations after payment therefrom of expenses of operations and maintenance, taxes, assessments, interest and sinking fund requirements; that in addition to the payments required under said agreement the de-

fendant has paid all indebtedness of Pan American Petroleum Company as the same became due, and that your petitioner is informed and believes that under said arrangement there has been an estimated loss of approximately $200,000.00 per month from the operation of said properties of Pan American Petroleum Company.

V.

That the possession of the defendant of the properties of The United Oil Company, Richfield Oil Company, Signal Hill Gasoline Company and Richfield Oil Company of California, a Nevada corporation, was under oral working arrangements, the defendant taking possession of and supervising, managing and directing all operations of the properties of said subsidiary corporations, receiving and retaining the proceeds of such operations and paying all costs, expenses and indebtedness of said companies respectively as the same became due; and that your petitioner is informed and believes that the operation of the properties of said subsidiaries under said working arrangements has in each instance resulted in a net gain.

VI.

That the properties of the defendant and of said subsidiaries have all been operated by the defendant as a single business unit for more than eighteen (18) months last past, and, in many cases, for a much longer period, with the result that the facilities used for the various functions now carried on as a part of the business of defendant, to-wit: producing, transporting, refining, treating, storing, distributing andmarketing, are in substantial balance and in the correct proportions with respect to each other without reference to the ownership of such facilities and that therefore the loss or elimination of the facilities used in any one of said functions or owned by any one of said subsidiaries would seriously cripple and impair the defendant's business and the efficiency, earn-

ing power and value of the remaining facilities used in other functions and owned by the defendant or other subsidiaries, as may be clearly recognized from a statement of some of the principal facts with regard to the joint operation of the properties of defendant and its subsidiaries as hereinafter set forth, as to which your petitioner has been informed and believes.

(a) The refining function of the defendant is carried on in two major and three minor refineries. The larger and more completely equipped of the two major refineries is owned entirely by Pan American Petroleum Company, being the so-called Watson Refinery, constructed at a cost in excess of $17,000,000.00, and at which all of the lubricating oils, greases and asphalt of the defendant are refined; the smaller of the major refineries, being known as the Hines Refinery, is erected upon land a large portion of which is owned in fee by The United Oil Company; one of the three minor refineries, being known as the Bakersfield Refinery, is owned by Richfield Oil Company, a California corporation.

(b) Two of the gasoline plants, for the treatment of casing-head gasoline, are owned by Signal Hill Gasoline Company and by Richfield Oil Company, a California corporation, respectively.

(c) The Long Beach Terminal is owned by Richfield Oil Company, a California corporation, and the large terminal at Los Angeles Harbor is owned by Pan American Petroleum Company.

(d) A great number of the crude oil producing properties operated by defendant and now by your petitioner are owned or leased by the said subsidiaries of the defendant and to retain the production from said properties it is necessary that the royalties to land owners and others and liens thereon be paid as they become due, as well as the costs and expenses of operating said properties. As an example of the importance of these properties, it is estimated that approximately 3,416,064 barrels of crude oil were produced from Pan American Petroleum Company properties during the year 1930 and that the amount of royalties paid on the properties of said company for said year were approximately $967,014.08.

(e) That of the retail service stations operated by the defendant and now by your petitioner, a large number are service stations of which Pan American Petroleum Company is the owner or lessee and a few are owned or leased by the other subsidiaries, but all of said stations have been painted and otherwise equipped to

indicate that the products of defendant are sold thereat, and are so geographically located with respect to each other without regard to ownership that if the service stations owned or leased by said Pan American Petroleum Company or other subsidiaries were discontinued or eliminated from the retail distribution system of the defendant a valuable trade in Richfield products acquired by such stations, and the good will resulting therefrom, would be lost and destroyed and irreparable injury to the retail distribution system of defendant's products would result.

(f) That the distribution of defendant's products in the State of Nevada is carried on entirely from properties owned or leased by Richfield Oil Company of California, a Nevada corporation, and that elimination of said properties would result in a loss of a valuable trade in the products of defendant in said state.

VII.

That your petitioner believes it to be for the best interests of the creditors of the defendant that said properties of said defendant and of said subsidiaries continue to be operated as a unit as was heretofore done by the defendant, your petitioner retaining the receipts from such joint operation and paying therefrom not only the costs and expenses of operating the properties of the defendant itself, but also paying therefrom all costs, expenses and obligations necessary to preserve, maintain and operate the properties of said subsidiary corporations now in his possession, including, but not limited to, payment at maturity of all taxes purchase obligations, mortgages and other liens thereon, all royalties, rentals, contract payments and other indebtedness with respect thereto, and all costs and expenses of operating the same, whether said obligations and indebtedness were incurred and/or matured prior to or subsequent to the appointment of your petitioner as Receiver of the defendant.

WHEREFORE, your petitioner prays for an order that he be authorized and directed to use, conduct and operate jointly and as a unit the properties and business of the defendant and of certain of the subsidiaries of the defendant, to-wit: Pan American Petroleum Company, The United Oil Company, Richfield Oil Company, Signal Hill

Gasoline Company, and Richfield Oil Company of California, a Nevada corporation whether in this United States judicial district or elsewhere; that he be further authorized and directed to pay at maturity such rentals, royalties, taxes, purchase obligations and liens with respect to the property of the defendant as he shall deem advisable or necessary to preserve, maintain and retain leases and other property, whether maturing prior or subsequent to his appointment as Receiver; that he be further authorized and directed to pay when due all rentals, royalties, taxes, mortgages, purchase obligations, liens, contract obligations and other indebtedness with respect to and the costs and expenses of operating the properties of said subsidiaries, whether maturing prior or subsequent to his said appointment as Receiver, as he shall in his discretion deem to be advisable, and for such other, further and definite relief as may be determined just and proper in the premises.

Dated: Los Angeles, California, January 31, 1931.

WILLIAM C. McDUFFIE
As Receiver of Richfield Oil Company of California.

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STATE OF CALIFORNIA,)
) ss.
County of Los Angeles.)

WILLIAM C. McDUFFIE, being first duly sworn, deposes and says:

That he is the petitioner named in the foregoing petition; that he has read the foregoing petition and knows the contents thereof and that the same is true of his own knowledge, except as to those matters which are therein stated upon his information or belief, and as to those matters that he believes it to be true.

WILLIAM C. McDUFFIE

Subscribed and sworn to before me this 31st day of Jan. 1931.

R. S. Zimmerman, Clerk U. S. District Court, Southern District of California.

By Edmund L. Smith, Deputy.

(SEAL)

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MEMORANDUM OF AGREEMENT between RICHFIELD OIL COMPANY OF CALIFORNIA, a Delaware corporation (herein called "Richfield"), and PAN AMERICAN PETROLEUM COMPANY, a California corporation (herein called "Pan American").

All of the capital stock of Pan American (except Directors' qualifying shares) being now owned by Richfield, it is hereby agreed that to secure greater economy and efficiency of operation Richfield shall supervise, manage and direct all operations of Pan American in the development of its oil lands and leases and in the production, processing and marketing of oil, gas, gasoline and other products, and shall furnish all equipment, material, supplies and labor necessary therefor in addition to such as may be furnished by Pan American; and that as compensation for the foregoing Richfield shall receive and retain the proceeds of such operations after payment therefrom of expenses of operation and maintenance, taxes, assessments, interest and sinking fund requirements.

It is expressly understood and agreed that, in view of the management and supervision by Richfield of the operations of Pan American, as herein provided, Richfield shall have the right, at its option, to market and/or distribute any or all products of such operations under the trade names and colors of Richfield; and that Richfield shall also have the right to paint, repaint, or otherwise alter the appearance of buildings, motor trucks and other structures and equipment of Pan American used in marketing or distributing such products, in such manner as to indicate to the public that the same are being operated by Richfield and/or being used in the marketing and/or distributing of Richfield products.

Nothing herein shall be deemed to transfer to Richfield any right, title or interest in or to any properties of Pan American other than the right to use and operate equipment and other personal property.

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This agreement may be terminated by either party by written notice to the other; but such termination shall not affect rights or obligations in respect to prior operations or transactions.

DATED: July 15th, 1929.

RICHFIELD OIL COMPANY OF CALIFORNIA

By C. M. FULLER (SEAL)
President

By B. B. WILSON
A. Secretary.

PAN AMERICAN PETROLEUM COMPANY

By C. M. FULLER (SEAL)
President

By R. W. McKEE
Secretary.

AP:FW 2-25-31

C O P Y

IN THE DISTRICT COURT OF THE UNITED STATES
SOUTHERN DISTRICT OF CALIFORNIA
CENTRAL DIVISION

THE REPUBLIC SUPPLY COMPANY OF CALIFORNIA, a corporation, Plaintiff,	)	
vs.	)	IN EQUITY No. S-125-J
RICHFIELD OIL COMPANY OF CALIFORNIA, a corporation, Defendant.	)	Filed 1-15-31

To the Honorable Judges of the District Court of the United States for the Southern District of California, Central Division:

The petition of WILLIAM C. McDUFFIE, the receiver in the above entitled cause, respectfully shows to the Court, on information and belief, as follows:

I.

That under decree of the Court herein granted and entered the 15th day of January, 1931, he was duly appointed Receiver herein, and that subsequently he duly executed and filed the bond required of him to be filed under the terms and conditions of said decree, and entered upon his duties as Receiver herein and is now acting as such.

II.

That the business of said defendant is carried on in numerous states throughout the United States, as stated in the Bill of Complaint herein, and that the Receiver realizes that many intricate legal questions will arise touching his management of said Receivership Estate, and that it is absolutely necessary that he be properly advised by Counsel in order that he may properly administer his trust and protect the interest of all parties concerned.

III.

That the law firm of Gibson, Dunn & Crutcher, composed of Albert Crutcher, Norman S. Sterry, S. M. Haskins, Jas. A. Gibson, Jr., H. F. Prince, J. C. Macfarland, E. H. Conley and Homer D. Crotty, has for several years last past acted as special counsel for the defendant, and the members of said firm are familiar with most of the business and legal problems of said defendant; that the said S. M. Haskins has been a former Director of Richfield Oil Company of California; that there are now pending at least two important suits which it will be necessary for the Receiver to defend: (1) A suit pending in the Superior Court of the State of California, in and for the County of Los Angeles, by the Continental Oil Company against Richfield Oil Company of California, numbered 309,738, to recover more than $200,000 for alleged breach of contract; and, (2) an action in equity in this court, numbered B-115-M, by the United States of America against Pan American Petroleum Company, a wholly owned subsidiary of Richfield Oil Company of California, to cancel three leases of oil lands held by said defendant and for an accounting of oil and gas extracted from the leaseholds; that because of the familiarity of said counsel with said suits and with the business of the defendant and with the problems which the Receiver will be required to pass upon, said Receiver believes that it will be to his best interests and to the interests of all creditors of defendant and all parties in interest that said law firm of Gibson, Dunn & Crutcher act as attorneys, counsellors and advisors of said Receiver.

WHEREFORE, your petitioner prays for an Order authorizing and directing him to employ as his counsel the firm of Gibson, Dunn & Crutcher, of Los Angeles, California and for such other, further and definite relief as may be deemed just and proper in the premises.

Dated: Los Angeles, California, January 15th, 1931.

William C. McDuffie
As Receiver of
Richfield Oil Company of California.

STATE OF CALIFORNIA)
(ss
COUNTY OF LOS ANGELES.)

WILLIAM C. McDUFFIE, being first duly sworn, deposes and says:

That he is the petitioner named in the foregoing petition; that he has read the foregoing petition and knows the contents thereof and that the same is true of his own knowledge, except as to those matters which are therein stated upon his information or belief, and as to those matters that he believes it to be true.

William C. McDuffie

Subscribed and sworn to before me
this 15th day of January, 1931.

Richard L. Wallach
Notary Public in and for the County
of Los Angeles, State of California.
My Commission expires Oct. 23, 1932.

FILED JAN. 15, 1931.

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COPY

IN THE DISTRICT COURT OF THE UNITED STATES
SOUTHERN DISTRICT OF CALIFORNIA
CENTRAL DIVISION

THE REPUBLIC SUPPLY COMPANY OF CALIFORNIA, a corporation, Plaintiff, vs. RICHFIELD OIL COMPANY OF CALIFORNIA, a corporation, Defendant.	IN EQUITY No. S-125-J O R D E R Filed 1-31-31

Upon the verified petition of the Receiver herein for an order authorizing him to jointly operate the properties of the defendant and of certain subsidiary corporations of defendant, to-wit: Pan American Petroleum Company, The United Oil Company, Richfield Oil Company, Signal Hill Gasoline Company, and Richfield Oil Company of California, a Nevada corporation, it appearing that it is necessary for the preservation, maintenance, retention and operation of said properties and the business of the defendant conducted therewith and for the best interests of the creditors of the defendant that said properties of the defendant and of said subsidiaries be operated jointly and as a unit and that the Receiver herein receive the income from said business so jointly operated and that the Receiver pay therefrom all of the costs and expenses of preserving, maintaining, retaining and operating said properties, whether owned by the defendant or said subsidiaries; all taxes, liens, rentals and royalties on properties of Richfield Oil Company of California, whether matured prior or subsequent to his appointment as Receiver, necessary to preserve and retain such properties and all taxes, rentals, royalties, liens, mortgages, purchase obligations and other indebt-

edness incurred by said subsidiary corporations with respect to their said properties or business, whether matured prior or subsequent to his appointment as Receiver.

NOW, THEREFORE, IT IS ORDERED AND DECREED that the said WILLIAM C. McDUFFIE, Receiver, operate the properties now in his possession of defendant and of the subsidiaries of defendant, to-wit: Pan American Petroleum Company, The United Oil Company, Richfield Oil Company, Signal Hill Gasoline Company and Richfield Oil Company of California, a Nevada corporation, jointly and as a unit, whether said properties are situated in this United States judicial district or elsewhere; that said Receiver receive the proceeds derived from such joint operation and pay therefrom all of the costs and expenses of operating, maintaining and preserving the same, all taxes, rentals, liens and royalties against the properties of defendant, whether maturing prior or subsequent to his appointment as Receiver necessary or advisable in his opinion to preserve and retain said properties, and all of the taxes, rentals, royalties, liens, mortgages, contract obligations and other indebtedness incurred by said subsidiary corporations with respect to their properties and business, whether maturing prior or subsequent to his said appointment as Receiver, which he shall deem advisable.

Dated: Los Angeles, California, January 31, 1931.

WM. P. JAMES
Judge of the United States District Court for the Southern District of California, Central Division.

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COPY

IN THE DISTRICT COURT OF THE UNITED STATES
SOUTHERN DISTRICT OF CALIFORNIA
CENTRAL DIVISION

THE REPUBLIC SUPPLY COMPANY OF CALIFORNIA, a corporation, Plaintiff,	)	
vs.	(	IN EQUITY No. S-125-J
RICHFIELD OIL COMPANY OF CALIFORNIA, a corporation, Defendant.	)	ORDER Filed 1-15-31

The verified petition of the Receiver herein for an order authorizing him to appoint as his counsel the law firm of Gibson, Dunn & Crutcher, being personally presented by said Receiver to the Court, together with all the papers heretofore had and taken therein, and waiver of notice and consent thereto attached signed by all parties who have appeared therein, there appeared with the said Receiver, James A. Gibson, Jr. and Norman S. Sterry, members of the said law firm of Gibson, Dunn & Crutcher, who advised the Court that the said firm was willing to act as counsel for said Receiver if the Court deemed it proper for them so to do. That the said law firm had from time to time acted in the past as special counsel for the defendant Richfield Oil Company of California; that S. M. Haskins, one of the members of said law firm, had been a director of said Richfield Oil Company of California, and said firm had also acted for the underwriters of the bonds of said Richfield Oil Company of California and had given an opinion as to the validity of said bonds on which they had been sold, and that the said firm had charges against the said Richfield Oil Company of California in the sum of approximately $59,238.36, and had also acted as counsel for the Pan American Petroleum Company, a wholly owned subsidiary, in that certain

suit pending in this Court, wherein the Government of the United States is plaintiff, and the said Pan American Petroleum Company is defendant, numbered B. 115-M (which said suit will be hereinafter referred to as the "Elk Hills suit") and that said firm had been employed by the said Richfield Oil Company of California and Pan American Petroleum Company for the defense of said suit, the trial having resulted in a decision being rendered in favor of the said Pan American Petroleum Company; that formal findings of fact and conclusions of law and decree had not been entered, but that plaintiff therein had announced its intention of appealing, and that said firm of Gibson, Dunn & Crutcher had rendered to both the Richfield Oil Company of California and Pan American Petroleum Company a charge for services to date, with a statement of the further compensation expected in the event of an affirmance of the decree, and that because the said law firm of Gibson, Dunn & Crutcher would be unsecured creditors of the said Richfield Oil Company of California to the extent of the charges for their services, the members of said firm did not desire to act as counsel for the Receiver unless the Court believed it to be for the best interests of said Receiver and of all parties interested in the receivership that they should so do; that in the event the Court should deem it to be in the best interests of the Receiver that said firm be appointed as counsel for said Receiver, the said firm would be willing in due course to file their claim for services to date at the amounts now charged on their books, exclusive of their services rendered in said Elk Hills suit, but that the said Receiver should not himself accept or reject the same, but that said claim should be presented to the Court, to be accepted or rejected by the said Court; that as to the services and compensation of said firm in the said Elk Hills suit, said firm would be willing to withdraw their charge for services to date and allow the matter of their compensation to stand until the final disposition of the appeal in said suit, and on the said cause being finally disposed of on ap-

peal, to allow the reasonableness of its compensation to be fixed by the Court in the event that a reorganization shall not have been then effected and the receivership still pending, or in the event of a reorganization, that the reorganized company succeeding to the interests of the said Richfield Oil Company of California and the Receiver shall do so subject to agreement to pay a reasonable compensation for the services of said firm on the final determination of said Elk Hills suit No. B. 115-M; and it appearing to the said Court that the terms and conditions suggested by said firm of Gibson, Dunn & Crutcher with reference to their charges for services heretofore rendered are fair and reasonable, and that it is manifestly for the best interests of the Receiver and all parties interested in the receivership that said attorneys, because of their familiarity with the business of said Richfield Oil Company of California, including their knowledge of pending litigation against said Company and its subsidiaries, which it is the duty of said Receiver to carry on, that said firm of Gibson, Dunn & Crutcher should act as counsel for said Receiver.

NOW, THEREFORE, IT IS ORDERED that the Receiver be, and he is hereby authorized to employ as his solicitors and counsel, the firm of Gibson Dunn & Crutcher, attorneys-at-law, of Los Angeles, California, on the understanding and agreement hereinbefore recited, that said firm file its claim with the Receiver in the ordinary course for its charges for past services and indebtedness as shown on its books; that said Receiver shall not accept or reject said claim but the same shall be presented to and passed upon by the Court, and if accepted in whole or in part by the Court, shall stand the same as other unsecured accepted claims; that as to its services rendered and to be rendered in said Elk Hills suit No. B. 115-M, said firm shall continue the defense of said suit and on final determination of the appeal, if the Receivership is still pending, that the reasonable compensation for the services of said firm shall be fixed

and determined by the Court.

DATED, Los Angeles, California, January 15th, 1931.

WM. P. JAMES
Judge of the United States
District Court.

FILED JAN. 15, 1931.

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C O P Y

S. A. DAILY JOURNAL
Jan. 20, 1931.

ORDER APPOINTING RECEIVER
In Equity No. S-125-J

In the District Court of the United States, Southern District of California, Central Division.

The Republic Supply Company of California, a corporation, Complainant, vs. Richfield Oil Company of California, a corporation, defendant.

This case came on to be heard at this term and was argued by counsel, and thereupon, upon consideration thereof, the Court being fully advised in the premises,

It is ordered, adjudged and decreed as follows:

1. William C. McDuffie is hereby appointed receiver of all the property, assets and business owned by or under the control or in the possession of the defendant, Richfield Oil Company of California, real, personal and mixed, of whatsoever kind and description, within the jurisdiction of this court, including all lands, building, plants, warehouses, pipe lines, refineries, tanks, ships, shipping facilities, wharves, docks and dockage facilities, and appurtenances, owned, controlled, leased or operated by said defendant, and all raw materials, materials in process of manufacture, finished materials, inventory, stock in trade, equipment, tools, machinery, furniture, supplies, merchandise and books of account, records, and other books, papers and accounts, cash on hand, in bank, or on deposit, things in action, credits, stocks, bonds, securities, deeds, leases, contracts, bills and accounts receivable, and all rents, issues and profits, and income accruing and to accrue from said assets, property and business, with authority to take possession of said assets and property and to continue said business as a going concern.

2. The defendant, its officers and employees, and any persons acting under its direction, shall deliver to the receiver any

and all of the aforesaid properties, real, personal or mixed, in their possession or under their control.

3. All creditors, stockholders, and all persons claiming or acting by, through or under them, and all sheriffs and marshals and other officers, agents, attorneys, proctors, representatives, servants and employees, and all other persons, associations and corporations are hereby enjoined and restrained from instituting or prosecuting any action at law, or suit, or proceeding in equity or admiralty against the defendant, in any court of law or equity or admiralty, or before any association, organization, or arbitration board, or arbitration by referee or umpire, or other court or tribunal, or otherwise, or from executing or issuing, or causing the execution or issuance, or the issuing out of any court of any writ, process, summons, attachment, subpoena, replevin or other proceeding for the purpose of impounding or taking possession of or interfering with any of the aforesaid property owned by or in the possession or under the control of said defendant, or of the receiver, or owned by the defendant and in the possession of any of its officers, agents or employees; and all sheriffs, marshals and other officers and their deputies, representatives and servants, and all other persons, associations and corporations are hereby enjoined and restrained from removing, transferring, disposing of or attempting in any way to remove, transfer or dispose of, or in any way to interfere with any of the property, assets or effects in the possession of the defendant or of the receiver, and from doing any act or thing whatsoever to interfere with the possession and management by the receiver of the property and assets, or the business of the defendant, or in any way to interfere with the receiver in the discharge of any of his duties, or to interfere in any manner with the administration and disposition in this suit of the property and affairs of the defendant.

4. Said receiver is hereby authorized forthwith to take and have complete exclusive control, possession and custody of all of

the property and assets owned by or under the control of or in the possession of the defendant, real, personal and mixed of every kind, character and description within the Ninth Judicial Circuit, and all persons, firms and corporations, including the defendant its officers, agents and employees, shall forthwith deliver to the receiver all property and assets of the defendant, or in its possession, or under its control, and the defendant, its officers, agents and employees are hereby directed upon the request of the receiver to endorse, transfer, set over and deliver to the receiver any and all shares or certificates of stock, notes, bills of exchange or other documents, or muniments of title outstanding in the name of or in the possession or under the control of the defendant, or as to which the defendant has any interest, and to execute and deliver powers of attorney and proxies authorizing the receiver to vote on such shares of stock or certificates, and the receiver is hereby authorized to vote in person or by proxy any and all shares of stock standing in the name of the defendant.

5. The Receiver is hereby authorized until the further order of this court to continue, manage and operate the business of the defendant, with full power and authority to carry on, manage and operate the business and properties of the defendant, and to buy and sell merchandise and supplies for cash or on credit as may be deemed advisable by said receiver, and to the extent that the receiver may determine that it is for the best interests of the receivership estate so to do, to perform and fulfill the contracts and obligations of the defendant, and to enter into new contracts incidental to the operation of its business, and to appoint and employ such managers, agents, employees, servants, accountants, attorneys and counsel as may in the judgment of the receiver be advisable or necessary in the management, conduct, control or custody of the receivership estate, and the receiver is hereby authorized

to make such payments and disbursements out of the property and assets of the defendant in his possession as may be needful or proper for the preservation and operation of the properties and business of the defendant, to issue such receivers' certificates for the purpose of meeting the obligations of said defendant, as may be authorized from time to time by this court.

6. The receiver is hereby authorized to receive and collect rents, income and profits of any of the properties of the defendant, whether the same are now due or shall hereafter become due and payable, and to do such things, enter into such agreements, and employ such agents in connection with the management, care, preservation and operation of the properties of the defendant as the receiver may deem advisable, and to incur such expenses and make such disbursements as may in the judgment of the receiver be necessary or advisable, including all bills and accrued charges for electric light and power, gas, water, insurance, freight and carriage charges on goods in transit, telephone charges, taxes and charges of the nature thereof, lawfully incurred or imposed upon the property prior to the receivership, and all claims for accrued wages, salaries and expenses of officers, agents and employees for services rendered prior to the date of this order but remaining unpaid at the date hereof, to the end that the operation of the business of the defendant may not be interfered with or interrupted.

7. The receiver is hereby authorized and empowered to institute, prosecute and defend, compromise, adjust, intervene in or become a party to such suits, actions, proceedings at law, in equity or in admiralty, including ancillary proceedings in State or Federal Courts as may in the judgment of the receiver be necessary or proper for the protection, maintenance and preservation of the property and assets of the defendant and the conduct of its business, or the carrying out of the terms and provisions of this order, and likewise to defend, compromise and adjust, or otherwise dispose of, any and all suits, ac-

tions and proceedings instituted against him as receiver or against the defendant, and also to appear in and conduct the prosecution or defense of any action, suit or proceeding or to adjust or compromise any action, suit or proceeding now pending in any court by or against the defendant where such prosecution, defense or other disposition of such action, suit or proceeding will in the judgment of the receiver be advisable or proper for the protection of the property and assets of the defendant, and in his discretion to compound and settle with all debtors of the defendant, with persons having possession of its property or in any way responsible at law or in equity to the defendant upon such terms and in such manner as the receiver shall deem just and beneficial to the defendant and its creditors.

8. The receiver is hereby given a period of six (6) months from the date hereof within which to arrive at a determination as to what contracts including leases of the defendant the receiver should affirm or disaffirm and within that time to make his election in that respect; the Court reserves the right if so advised from time to time to extend or diminish the time so granted to the receiver within which to make such election.

9. The receiver shall retain possession and continue to discharge the powers and duties aforesaid until the further order of this Court in the premises; but shall from time to time apply to this Court for such other and further orders and directions as he may deem necessary or advisable for the due administration of the receivership; and the receiver is hereby vested, in addition to the powers aforesaid, with all the general powers of receivers in cases of this kind, subject to the direction of this Court, and the receiver shall from time to time or when directed by the Court render to the Court

reports of his proceedings and the accountings with respect to all moneys received and disbursed by him or his agents.

10. The bond of the receiver in the sum of Three Million Five Hundred Thousand Dollars, conditioned that he will well and truly perform the duties of his office and duly account for all moneys and property which may come into his hands and abide and perform all things which he shall be directed to do by this Court, with sufficient sureties to be approved by a Judge of this Court, shall be forthwith filed in the office of the Clerk of this Court.

11. A copy of this order shall, within ten (10) days from the date hereof, be published in two issues of the Los Angeles Daily Journal, a newspaper of general circulation, printed and published in the City of Los Angeles, State of California.

Dated: January 15, 1931.

WM. P. JAMES,
United States District Judge.

Date of first publication, Jan. 20, 1931.
(20634) 1-20-21 2t

Filed 1-15-31

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IN THE DISTRICT COURT OF THE UNITED STATES
SOUTHERN DISTRICT OF CALIFORNIA
CENTRAL DIVISION

THE REPUBLIC SUPPLY COMPANY OF CALIFORNIA, a corporation, Complainant, vs. RICHFIELD OIL COMPANY OF CALIFORNIA, a corporation, Defendant.	)	S-125-J A N S W E R Filed 1-15-31

To the Honorable, the Judges of the District Court of the United States, for the Southern District of California, Central Division.

NOW COMES the above named defendant and for answer to the Bill of Complaint herein, or so much as defendant is advised that it is necessary or material for it to answer, says:

FIRST: The allegations, and each of them, contained in said Bill of Complaint are true.

SECOND: The defendant consents to the relief prayed for in the Bill of Complaint.

WHEREFORE defendant prays that the relief prayed for in the Bill of Complaint be granted.

WM. J. De MARTINI
Solicitor for Defendant
555 So. Flower St.
Los Angeles.

STATE OF CALIFORNIA)
(SS
COUNTY OF LOS ANGELES)

BRADFORD M. MELVIN, being by me first duly sworn, deposes and says: That he is an officer, to-wit: Secretary of Richfield Oil Company of California, a corporation, defendant named in the above entitled action, that he has read the foregoing Answer, and knows the contents thereof, and that the same is true of his own knowledge, except as to the matters therein stated to be alleged upon information and belief and as to those matters he believes it to be true.

BRADFORD M. MELVIN

Subscribed and sworn to before me
this 15th day of January, 1931.

R. C. ZIMMERMAN, Clerk, U. S. District Court, Southern District of California.

By EDMUND L. SMITH, Deputy.

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COPY

IN THE DISTRICT COURT OF THE UNITED STATES
SOUTHERN DISTRICT OF CALIFORNIA
CENTRAL DIVISION

THE REPUBLIC SUPPLY COMPANY OF CALIFORNIA, a corporation,

Complainant,

vs.

RICHFIELD OIL COMPANY OF CALIFORNIA, a corporation,

Defendant.

BILL OF COMPLAINT IN EQUITY.

Filed 1-15-31

To the Honorable, the Judges of the District Court of the United States, for the Southern District of California, Central Division:

The Complainant, THE REPUBLIC SUPPLY COMPANY OF CALIFORNIA, a corporation duly organized and existing under the laws of the State of California, and a citizen of said state, brings this, its Bill of Complaint, on its own behalf and on behalf of all other creditors of defendant who may hereafter join in the prosecution of this suit, against RICHFIELD OIL COMPANY OF CALIFORNIA, a corporation duly organized and existing under the laws of the State of Delaware and a citizen of said state, and thereupon Complainant alleges as follows:

FIRST: That Complainant, the Republic Supply Company of California, is a corporation duly organized and existing under the laws of the State of California, with its office and principal place of business in the City of Los Angeles, State of California, in the Southern District of California, Central Division, and is a citizen of the State of California and a resident of the Southern District of California.

SECOND: That the defendant, Richfield Oil Company of California, is a corporation duly organized and existing under the laws of the State of Delaware and a citizen and resident of said state.

THIRD: That the ground upon which the jurisdiction of this Court depends in this suit is the diversity of citizenship of the Complainant and of the Defendant, and the amount in controversy herein is in excess of the sum of Ten Thousand Dollars ($10,000), exclusive of interest, costs and expenses. This suit is brought for the purpose of enforcing the claims of the Complainant against the defendant; for the appointment of a receiver or receivers of the property of the defendant; the determination of the claims of the creditors of the defendant; the marshaling of the assets of the defendant and the sale and distribution of said assets among the creditors of the defendant, and for the other relief hereinafter set forth.

FOURTH: The defendant is indebted to the Complainant in a sum in excess of Two Hundred Seventy-five Thousand Dollars ($275,000.) upon an unsecured, open book account for goods, wares and merchandise sold and delivered by Complainant to the defendant at the special instance and request of the defendant within two years last past. Said sum is wholly due and unpaid and there are no offsets or counter-claims thereto.

FIFTH: Complainant is informed and believes and therefore alleges that the defendant corporation has now outstanding 399,900 shares of preferred stock of the par value of $25.00 per shre and 2,071,071 shares of common stock, without nominal or par value.

SIXTH: Complainant is informed and believes and therefore alleges that the defendant is engaged in the business of producing, marketing, refining, selling and distributing petroleum products of all kinds and character; that said business

is being carried on and conducted by the defendant in the City of Los Angeles, State of California, and generally in the State of California and in all of the Pacific Coast States of the United States and in other states of the United States, in all of which above-mentioned places the defendant has land and other property of a fixed-character, consisting of real estate, plants, warehouses and equipment of large value, and also stocks of petroleum products, manufactured and in process of manufacture; that the principal office for the transaction of the business of the defendant is located in the City of Los Angeles, State of California, in said Southern District of California.

SEVENTH: Complainant is informed and believes and therefore alleges that the defendant hasoutstanding First Mortgage bonds in an amount in excess of Twenty-four Million Dollars ($24,000,000) and that in addition thereto there are outstanding First Mortgage bonds of a wholly owned subsidiary of the defendant corporation in an amount in excess of Nine Million Dollars ($9,000,000). Complainant further alleges on information and belief that the defendant is indebted to other creditors, whoseobligations are unsecured, in an amount in excess of Nineteen Million Dollars ($19,000,000); that the amount of assets of the defendant, as carried on its books, is in excess of One Hundred Twenty Million Dollars ($120,000,000); that the fair value of the assets of the defendant is in excess of the amount of its outstanding bonds, notes and other obligations and indebtedness, but the defendant has not now on hand sufficient money with which to meet its obligations now due and which will shortly become due and can not now realize sufficient money for such purpose through the sale of its properties or by borrowing further money.

EIGHTH: Complainant is informed and believes and therefore alleges that certain of the creditors of the defendant are pressing the defendant for payment and that there is danger that some of said creditors may bring suits in respect of their claims and levy attachments and executions on the property of the defendant; that such action on the part of creditors will result in judgments, executions, attachments and seizures by sheriffs and marshals and like officers and forced sales of the property of the defendant at less than the fair value thereof, with the necessary consequence that the defendant will be compelled to cease the conduct of its business, and its assets will be sacrificed and it might not realize an amount sufficient to pay its creditors in full, and that any such action on the part of the creditors will cause great and irreparable loss and injury to the defendant and its creditors, including the Complainant.

NINTH: Complainant is informed and believes and therefore alleges that an attempt by the Complainant to enforce at law its claim as a creditor of the defendant would precipitate a general action on the part of other creditors, and this in turn would lead to wasteful strife and controversy. The Complainant believes that such strife and controversy and waste of assets can be avoided and that the property of the defendant can be preserved and equitably distributed among those entitled thereto, and that it can be disposed of advantageously only through the intervention of this Honorable Court and the granting of the relief herein asked for, including the appointment of a receiver or receivers; that the continuance of the business of the defendant through a receiver or receivers appointed by this Honorable Court is essential in order that the assets and business of the defendant may be preserved and realized upon without undue sacrifice; that the business of the defen-

dant can no longer be carried on by it without the appointment of a receiver or receivers, and that unless this Honorable Court will deal with the properties of the defendant as a fund for the payment of its creditors, as their interests therein may appear, such properties will be dissipated, wasted and sacrificed and a multitude of litigation will ensue, to the great and irreparable loss and damage of the Complainant and all other creditors of the defendant.

TENTH: The Complainant has no plain, speedy or adequate remedy at law. No other or previous application has been made for the relief herein sought.

In consideration whereof, and inasmuch as the Complainant has no adequate remedy at law and can have relief only in equity, the Complainant files this Bill of Complaint on behalf of itself and of all other creditors of the defendant who may come in and contribute to the expense of suit, and prays for equitable relief as follows:

1. That the rights of the Complainant and of all other creditors of the defendant may be ascertained, decreed and determined; that this Court will fully administer the fund in which the Complainant is interested, constituting all the property and assets of the defendant, in accordance with the rights, equities, liens and priorities, if any, existing therein, and will enforce and decree the rights, equities, liens and priorities of the creditors of the defendant as the same may be fully ascertained and decreed by this Court.

2. That for the purpose of preserving intact the property and assets of the defendant a receiver or receivers be appointed of all properties and assets, real, personal and mixed of whatsoever kind and description of the defendant within the jurisdiction of this Court, with full power to sue for, collect, receive, and

take into his or their possession goods, chattels, rights, credits, moneys, effects, lands, tenements, books, papers, property and assets of every description of the defendant, and with all the incident powers ordinarily vested in receivers in like cases, and with full power and authority to operate the property and assets of the defendant and continue and carry on the business now conducted by defendant, and to collect and receive all the rents, issues and profits thereof, and to apply said rents, issues and profits to the expense of conducting the business and for such other purposes and for such period of time as this Court may order, to protect and preserve the corporate franchises, rights, privileges, property and business of the defendant, and to protect and preserve the property, assets and business of the defendant from being sacrificed under any proceedings which can or may be taken, liable to prejudice or sacrifice the same, and to do any and all acts and things which may be necessary and advisable to preserve the property, assets, rights, privileges, franchises and business of the defendant, or as may otherwise be requisite or proper.

3. That at such time as may be found just and proper the property, assets and business of the defendant may be ordered to be sold, in whole or in part, in such manner and upon such terms and conditions as this Court may deem just and equitable, and that any such order shall make proper and just provision for the protection of all equities, rights, priorities, claims, and liens of creditors of the defendant, and shall provide for the sale of the property, assets and business of the defendant, subject to, or free and clear from any and all liens or encumbrances, in whole or in part, in such manner, and upon such terms and conditions as this Court may direct, and that the proceeds of any such sale may be distributed among

those entitled thereto, as this Honorable Court may adjudicate, or that the properties ~~ofxthexproperties~~ of the defendant may be returned to it; and that the Complainant may have such other, further and different relief in the premises as to this Court may seem proper and as may be necessary fully to protect and enforce the rights and equities of the Complainant and of all creditors and stockholders of the defendant.

4. That temporarily and pending this suit, an injunction may issue against the defendant and all of its creditors, stockholders and all persons claiming or acting by, through or under them, or any or all of them, to restrain them from interfering in any manner with said receiver or receivers taking possession of the property and assets of the defendant and carrying on and conducting its business, and that all persons, associations and corporations be enjoined from instituting, commencing or prosecuting any action or proceeding against the defendant, or from entering judgments, levying executions upon, attaching or intermeddling with, or taking possession of any of the property and assets of the defendant, and that Complainant may have such other and further relief in the premises as the needs of the case may require and as may be agreeable to equity.

5. That the defendant be required to answer all and singular the matters above stated, but not under oath, answer under oath being hereby expressly waived.

6. That a writ of subpoena may be granted to the Complainant, to be directed to the defendant, Richfield Oil Company of California, thereby requiring said defendant to be and appear on a certain day before this Honorable Court and then and there full, true, direct, and perfect answer make to all and singular the premises, but not under oath, answer under oath being hereby expressly waived, and further to perform and abide by such further

order, direction and decree thereof as to this Court shall seem meet.

CHANDLER, WRIGHT & WARD

By Howard W. Wright
Solicitors for Complainant.

Office and Post Office Address,
631 Van Nuys Building,
Los Angeles, California.

STATE OF CALIFORNIA)
) SS
COUNTY OF LOS ANGELES)

THOMAS H. BEAMENT, being by me first duly sworn, deposes and says that he is an officer, to-wit, the Treasurer of the Complainant corporation in the above entitled action; that he has read the foregoing Bill of Complaint and knows the contents thereof; that the same is true of his own knowledge, except as to matters therein stated to be alleged on information and belief, and that as to those matters he is creditably informed and believes the same to be true.

Thomas H. Beament.

Subscribed and sworn to before me
this 15th day of January, 1931.

(SEAL)

R. S. Zimmerman, Clerk U. S. District Court,
Southern District of California,
By Edmund L. Smith, Deputy.

(INDORSED). No. S-125-J. In The UNITED STATES DISTRICT COURT In and for the Southern District of California, Central Division. THE REPUBLIC SUPPLY COMPANY OF CALIFORNIA, a corporation, Complainant, vs. RICHFIELD OIL COMPANY OF CALIFORNIA, a corporation, Defendant. BILL OF COMPLAINT IN EQUITY. FILED JAN. 15, 1931. R. S. ZIMMERMAN, Clerk, By Edmund L. Smith, Deputy Clerk. CHANDLER, WRIGHT & WARD, Attorneys at Law, Suite 631 Van Nuys Building, LOS ANGELES Attorneys for Complainant.

COPY

RICHFIELD OIL COMPANY
of California

555 South Flower Street
Los Angeles

March 14, 1931.

Senator Atlee Pomerene,
Los Angeles,
California.

Dear Senator Pomerene:

I am handing you herewith at your request a copy of Price Waterhouse & Company's balance sheet as of March 12th, as well as Price Waterhouse & Company's letter to me of same date making certain explanations regarding the balance sheet.

You will note from the Price Waterhouse letter that their report is not complete, but that, in their opinion, this balance sheet sets forth in its essential features the Company's position as reflected on the Company's books as of December 31, 1930.

It must be remembered that between the period of December 31, 1930 and January 15, 1931, which was the date of the Receivership, that some additional liabilities were incurred, and that, furthermore, since the date of the Receivership Receiver's Certificates in the amount of $977,000.00 have been sold, the proceeds of which went to meet the State gasoline tax.

In particular I beg to call your attention to the fact that in the asset side of the balance sheet the oil lands, pipelines, etc., are set up with values as reflected on the Company's books as of December 31, 1930, and before appraisals.

From the information which we have already obtained from the books, we know positively that the total figure of $72,924,157.59 will be shrunk by a very large amount. As an illustration the first figure which I have received on the valuation of oil reserves is considerably under the figure set forth. In this connection it must be remembered that the valuation is being made on crude oil prices effective as on January 31, 1931. If a revaluation were made on present crude prices the estimate would almost be half as there has been a recent general reduction in crude prices averaging about 50¢ per barrel. In the case of Elk Hills crude, the old price for 25 to 25.9 gravity was $1.10, whereas the new price for a similar gravity is 66¢. The variation for other gravities is somewhat in line. As a further illustration of the reductions in crude prices I would cite average Signal Hill crude of 25 to

Senator Atlee Pomerene March 14, 1931.

25.9 gravity, which, on the old price was $1.17, and on the new price is 75¢.

As a matter of interest I beg to advise you that the appraisal work was thoroughly discussed with Judge William P. James, and after this discussion it was decided that, rather than have the entire appraisal work done by any one firm, it would be better to have various experts do various phases of the business.

The firm of Stone & Webster Engineering Corporation will appraise the physical assets of the Richfield Oil Corporation of New York, which is a 100% owned subsidiary, and will also appraise the pipelines, refineries, marine terminals, gasoline absorption plants, steel and earthen storage, bulk stations and pipeline stations of the California Company and its subsidiaries.

A Los Angeles real estate firm will make one appraisal of real estate and a San Francisco firm will make a separate, independent appraisal. In this case it was decided to have 2 appraisals due to the fact that there was apt to be a considerable variation in opinion as to real estate values.

The marine equipment is being appraised by the firm of Pillsbury and Curtis of San Francisco, a very well known and reputable concern.

The actual oil reserves in barrels have been checked by the Richfield Oil Company's Geologists; by the Petroleum Engineer of the Pacific Western Oil Company; by a prior report made by Carl Beal and by Mr. Martin Van Couvering, an independent consulting Petroleum Engineer.

The dollar value on these reserves is being placed by Mr. Paul Paine, a man of wide experience throughout the United States in this type of work, and who also has had very considerable experience as an oil company executive. The automotive equipment is being appraised separately.

Yours very truly,

RICHFIELD OIL COMPANY OF CALIFORNIA.

WCMcD/L

/S/ Wm. C. McDuffie
Receiver.

C O P Y

PRICE, WATERHOUSE & CO.

530 West Sixth Street
LOS ANGELES

PRIVATE AND CONFIDENTIAL

March 12, 1931.

Mr. William C. McDuffie, Receiver,
Richfield Oil Company of California,
555 South Flower Street,
Los Angeles, California.

Dear Sir:

With reference to our discussion today, we are enclosing a tentative consolidated balance sheet of the Richfield Oil Company of California and subsidiary companies as of December 31, 1930 bearing marginal date of March 12, 1931.

In this balance sheet, effect has been given to all necessary adjustments which have been ascertained to date, and we believe that for all practical purposes, it may be taken as closely representing the condition of affairs as of December 31, 1930.

The properties are stated at book values adjusted to give effect to abandonments and correction of depletion and depreciation charges based on the book values, except that in the case of pipe lines and refineries, the depreciation adjustment has not been carried further back than December 31, 1929. In any event, however, all of these book values are subject to the adjustments in respect to the appraisals now being made.

The claim for refund of Federal income tax is stated at the amount carried on the books and is dependent upon the settlement of the taxes of Pan American Petroleum & Transport Company. The Company's income tax department estimates that the amount stated is the minimum recoverable, based upon taxes already settled, but anticipates that the ultimate recovery should be some $300,000.00 more.

In the enclosed balance sheet, the reserves for miscellaneous investments, notes receivable, and officers and employees accounts have been increased as follows:

Miscellaneous investments, etc.	$60,000.00
Notes receivable	75,000.00
Officers and employees	100,000.00
	$235,000.00

The revised reserves are based upon all of the information which we have been able to secure to date; the most problematical item being the possible recovery from the officers and employees accounts, of which we believe you have details. The affairs of J. A. Talbot are in the hands of a receiver. C. M. Fuller has apparently placed his affairs in the hands of the Citizens National Trust & Savings Bank, Los Angeles, for the benefit of his creditors. These accounts comprise the two largest items and represent approximately $366,000.00. Whilst it is reported that there will or may be a surplus of assets, the latter include real estate, the value of which can only be determined by sale, and in view of this and the fact that the other officers and employees accounts may take some time to work out, we have stated the item separately in the attached balance sheet.

The reserve re lease litigation has been stated on the enclosed balance sheet at the full amount which can be calculated as of December 31, 1930 payable to the United States Government, together with the net book value of the lands and equipment which would be forfeited. The amount is determined as follows:

Sales of production to December 31, 1930	$6,179,395.26
Interest at seven per cent to that date	2,377,482.81
	$8,556,878.07
Oil lands, etc., net	1,067,999.65
	$9,624,877.72

The principal amount quoted above, together with the proceeds of any further production, is subject to seven per cent interest until date of payment, and no provision is included above in respect of attorneys' fees in defending the Government's appeal. On the other hand, should the suit be lost, we understand that E. L. Doheny is to contribute $1,000,000.00. In the event of the Company ultimately securing title to the properties, it is obligated to issue to the stockholders of Pan American Western Petroleum Company an amount up to approximately fifty-three thousand (53,000) shares of common capital stock, in respect of which, however, there is some doubt as to approximately forty-four thousand (44,000) shares, plus interest equal in amount to dividends which would have been paid on that stock had it been issued under various dates in 1928.

We have not been able to reconcile the unissued reserved capital stock with the information appearing in the application for listing with the New York Stock Exchange. However, we believe it reasonable to assume that this reservation is in respect of approximately 685,000 shares. The common stock was originally of a par value of $25.00 per share and was changed to a no par basis in 1930. We have, therefore, stated the treasury stock at $25.00 per share since it was acquired prior to the elimination of a par value.

We are still awaiting information from the Company's legal department as to the possible amount of contingent liabilities of the Company in respect to lawsuits.

We had previously understood that the Company had been making a practice of guaranteeing accounts of customers, etc., due to other creditors, but so far we have only found one case, involving an amount of $12,800.00, which we have included in the amount of drafts discounted, etc.

The contingent liability in respect to legal expenses for lease litigation is stated at an amount mentioned by the attorneys who won the suit in the lower court.

You have previously been furnished with details of adjustments stating the deficit at

stating the deficit at	$34,094,754.02
and in the attached balance sheet effect has been given to the following:	
Additional reserve re lease litigation	4,874,899.87
and the additional reserves on notes and accounts, etc., previously mentioned	235,000.00
	$39,204,653.89

We believe that you already have particulars of all of the remaining items on the attached balance sheet not referred to above and upon which we will report in greater detail as early as possible.

Yours very truly,

PRICE WATERHOUSE & CO.

Enclosure:
Tentative balance sheet,
as above.

TENTATIVE CONSOLIDATED BALANCE SHEET

ASSETS

PROPERTIES, AT BOOK VALUES:			
Oil lands and development	$68,574,502.17		
Less: Reserves for depletion and depreciation	41,334,870.30	$27,239,631.87	
Pipe lines, absorption plants and gas facilities, refineries, steamships and marine equipment, marketing facilities and miscellaneous equipment	$62,730,400.54		
Head Office building	3,094,741.39		
	$65,825,141.93		
Less: Reserves for depreciation	20,140,616.21	45,684,525.72	$72,924,157.59*
* Oil lands, development and equipment less depletion and depreciation, subject to litigation per contra		$ 1,067,999.65	
GOODWILL (EASTERN ACQUISITIONS)			1,559,068.32
SINKING FUNDS AND DEPOSITS FOR PURCHASE OF BONDS			8 9,391.06
INVESTMENTS IN CONTROLLED COMPANIES:			
Universal Consolidated Oil Company, at cost in Richfield Oil Company of California common stock at $25.00 per share, and cash (book value $1,737,035.40)		$ 3,440,177.09	
Eastern companies:			
Investments at book value	$ 1,053,251.07		
Advances	1,024,367.17	2,077,618.24	5,517,795.33
MISCELLANEOUS INVESTMENTS AND LONG TERM RECEIVABLES		$ 745,057.22	
Less: Reserve		200,000.00	545,057.22
CLAIM FOR REFUND OF FEDERAL INCOME TAX			421,403.37
OFFICERS AND EMPLOYEES		$ 918,162.85	
Less: Reserves		630,000.00	288,162.85
CURRENT ASSETS:			
Cash in banks and on hand		$ 971,317.00	
Notes receivable	$ 637,579.87		
Less: Reserve	200,000.00	437,579.87	
Customers' accounts receivable	$ 4,337,639.14		
Less: Reserves	787,998.86	3,549,640.28	
Miscellaneous accounts receivable including The Richfield Company	$ 545,095.44		
Less: Reserves	225,000.00	320,095.44	
Inventories of crude and refined oil products at lower of cost or market		7,369,802.70	
Materials and supplies		824,498.54	13,472,933.83
DEFERRED CHARGES:			
Taxes, insurance, rents and miscellaneous			1,080,925.34
Total assets, etc.			$95,89 8,894.91
DEFICIT			39,204,653.89
			$135,10 3548.80

DECEMBER 31, 1930

LIABILITIES

FUNDED DEBT:			
First mortgage collateral trust sinking fund gold bonds, series "A", 6%, convertible, due 1944		$24,981,000.00	
Pan American Petroleum Company first mortgage 15 year convertible 6% sinking fund gold bonds, due 1940		9,618,400.00	
Mortgages on Head Office building, of which $60,000.00 is payable in 1931		1,610,000.00	$ 36,109,400.00
PURCHASE MONEY OBLIGATIONS MATURING SUBSEQUENT TO 1931, OF WHICH $1,752,302.04 IS PAYABLE IN OIL			4,360,574.36
CURRENT LIABILITIES:			
Notes payable:			
Banks and bankers	$10,270,000.00		
Others	50,000.00	$10,320,000.00	
Bankers and trade acceptances		25,000.00	
Purchase money obligations maturing in 1931, of which $1,040,809.35 is payable in oil		3,146,190.96	
Accounts payable		6,136,755.19	
Salaries and wages accrued		344,222.68	
State gasoline taxes		1,130,979.64	
Property taxes		285,596.57	
Accrued Interest		544,260.00	
Universal Consolidated Oil Company		1,255,965.66	23,188,970.70
RESERVE FOR FEDERAL INCOME TAX PRIOR YEARS			84,758.54
RESERVE FOR RECONDITIONING STEAMSHIPS			118,476.13
RESERVE RE LEASE LITIGATION, U.S. GOVERNMENT VERSUS PAN AMERICAN PETROLEUM COMPANY INCLUDING INTEREST TO DECEMBER 31, 1930			9,624,877.72
MINORITY INTEREST IN EASTERN SUBSIDIARY			87,552.02
CAPITAL STOCK:			
Preferred ($25.00 par value): Authorized $10,000,000.00 outstanding		$ 9,997,500.00	
Common (no par value): Authorized 5,000,000 shares, of which approximately 685,000 shares are reserved for conversion of bonds and contingent liability to stockholders of Pan American Western Petroleum Company. Outstanding (including 5,372-2/3 shares to be exchanged for Pan American Western Petroleum Company stock, 315.24 shares to be exchanged for United Oil Company stock and excluding 10,000 shares employees' subscriptions to be cancelled) 2,116,562.24 shares	$52,914,056.00		
Less: 55,304.66 shares	1,382,616.67	51,531,439.33	61,528,939.33
Contingent liabilities:			
Law suits	?		
Drafts discounted, etc.	289,578.28		
Legal expenses - Lease litigation	350,000.00	$ 639,578.28	
Commitments:			
Purchase of Eastern properties		2,916,052.00	
Options:			
Purchase of Eastern properties		3,650,000.00	
			$135,103,548.80

P A N   A M E R I C A N

L O S   A N G E L E S   M I

CONSOLIDATED STATEMENT OF AS
AS EXTRACTED FROM THE BOOKS OF THE RICHFIELD O
AS NEARLY AS

A S S E T S

Oil lands and development as appraised by Mr. Paul Paine (includes $4,200,697.00 subject to litigation per contra)		$ 8,721,569.
Other properties at going concern values as determined by independent appraisers:		
Pipe lines	$ 4,546,100.00	
Absorption and compressor plants	592,950.00	
Refinery and cracking plant	12,009,000.00	
Marine terminal	250,000.00	
Barges	86,000.00	
Distributing stations	1,312,750.00	
Service stations	398,025.00	
Tank cars, trucks and autos	297,425.00	
Clay lands	4,800.00	19,497,050.
Drilling tools as appraised by Mr. Paul Paine		80,000.
Materials and supplies as appraised by Mr. Paul Paine		76,000.
Sinking and released property funds in hands of trustees under bond indenture		14,686.
Claim for refund of Federal income tax		421,403.
Distributing and service station sites at values determined by independent engineers		300,500.
Unimproved land at values determined by independent appraisers		95,850.
Miscellaneous investments		4,624.
Notes receivable	$ 31,154.53	
Less: Reserve	854.80	30,299.
Accounts receivable	$ 41,670.35	
Less: Reserve	41,670.35	-
Crude oil on leases at market value		37,193.
		$29,279,176.

Note: On September 30 1929 the accounts shown on the books of
merged with the accounts on the books of the Richfield Oil C
The above figures have been extracted from the books of the
Gasoline Company as at January 14 1931, except that appraise
It is presently impracticable to ascertain whether the
carried on at a profit or loss during the period from Septem

P E T R O L E U M   C O M P A N Y
W A Y   P I P E   L I N E   C O M P A N Y

ETS AND LIABILITIES AS AT JANUARY 14 1931
L COMPANY OF CALIFORNIA AND THE SIGNAL HILL GASOLINE COMPANY
AN PRESENTLY BE DETERMINED

L I A B I L I T I E S

0	First mortgage 15 year convertible 6% sinking fund gold bonds, due 1940:		
	In hands of public	$9,393,400.00	
	In hands of trustee for Richfield Oil Company of California 6% bonds, 1944	1,296,000.00	$10,689,400.00
	Purchase money obligation		207,724.89
	Accrued interest		46,974.50
0			
0	Accounts payable for attorneys' fees, etc.		650,000.00
0			
7	Reserve re lease litigation v. U. S. Government, including $4,200,697.00 - value assigned to these properties by Mr. Paul Paine per contra		12,781,358.61
7			
0	Excess of assets over liabilities, representing Richfield Oil Company of California's investment in capital stock, authorized and issued, 20,000,000 shares of $1.00 par value per share		4,903,718.38
0			
0			
3			
1			
8			$29,279,176.38

the Pan American Petroleum Company were transferred and
mpany of California and the Signal Hill Gasoline Company.
lichfield Oil Company of California and the Signal Hill
values have been substituted for book values of properties.
perations of the Pan American Petroleum Company were
er 30 1929 to January 14 1931.

PRICE, WATERHOUSE & CO.

530 WEST SIXTH STREET
LOS ANGELES

April 25 1931

Mr. William C. McDuffie, Receiver,
Richfield Oil Company of California,
555 South Flower Street,
Los Angeles, California.

Dear Sir:

In accordance with your instructions, we have prepared and attach hereto a statement of assets and liabilities of the Pan American Petroleum Company, including the Los Angeles Midway Pipe Line Company, as at January 14 1931. As you are aware, the record of the assets and liabilities of these Companies was completely merged in the accounts of the Richfield Oil Company of California and its subsidiary, the Signal Hill Gasoline Company, and it is from these sources that the attached statement of assets and liabilities has had to be prepared.

It is questionable now whether it would be possible to prepare a satisfactory income account since September 30 1929, although we do not believe it is at all possible that the Pan American Petroleum Company can have operated at a profit. According to the old books, the results of the operations for the three months in 1929 immediately prior to the assets being taken over by the Richfield Oil Company of California were losses as follows:

July	$ 15,147.54
August	204,351.88
September	106,992.52
Total	$326,491.94

The foregoing losses are after writing off intangible drilling expenses, but before making any provision for the contingency of leases E, G and I being lost to the United States Government.

Yours very truly,

Price, Waterhouse & Co.

R I C H F I E L D   O I L   C

A N D   W H O L L Y

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT

A S S E T S

Oil lands and development, including drilling tools, as appraised by Mr. Paul Paine (includes $4,200,697.00 subject to litigation, per contra)			$24,114,447
Pipe lines, absorption plants and gas facilities, refineries, steamships and marine equipment, marketing facilities, head office building, etc. at going concern values as determined by independent appraisers			38,934,391
Sinking and released property funds in hands of trustees			29,097
Investments in controlled companies:			
Universal Consolidated Oil Company (52.16% interest) at value based upon appraisal of properties by Mr. Paul Paine and exclusive of any provision for loss on the amount of $1,298,937.82 due the Company by the Richfield Oil Company of California		$ 2,334,628.16	
Eastern acquisitions:			
Investments at book value	$1,640,655.06		
Advances	1,799,865.43	3,440,520.49	5,775,148
Miscellaneous investments and long term receivables:			
Assets appraised by independent appraisers		$ 756,901.00	
Assets not appraised (less reserve $300,000.00)		332,589.70	1,089,490
Claim for refund of Federal income tax			421,403
Officers and employees			1
The Richfield Company			1
Subscriptions to common stock, in question		$ 300,000.00	
Current assets		$13,683,566.59	
Less: Amount necessary to adjust that part of materials and supplies appraised by Mr. Paul Paine to appraised value		75,454.86	13,608,111
Deferred charges:			
Taxes, insurance, rents and miscellaneous		$ 1,065,680.09	
Advertising equipment (not appraised) book value $226,261.51, for purposes of this statement carried at		1.00	
Dealers' station improvements (Eastern subsidiaries)		143,778.62	1,209,459
			$85,181,551

OMPANY OF CALIFORNIA
OWNED COMPANIES

JANUARY 14 1931 AFTER GIVING EFFECT TO APPRAISALS OF PROPERTIES

LIABILITIES

		Shares		
	Funded debt			$35,884,400.00
00				
	Purchase money obligations maturing subsequent to 1931			4,327,133.81
	Current liabilities			24,660,803.45
00	Reserve for Federal income tax, prior years			84,758.54
05	Reserve for reconditioning steamships			133,248.72
	Reserve re lease litigation v. U. S. Government, including $4,200,697.00 - value assigned to these properties by Mr. Paul Paine, per contra			12,781,358.61
	Capital stock:			
	Preferred 7% cumulative ($25.00 par value) Authorized $10,000,000.00 - outstanding		$ 9,997,500.00	
65	Common (no par value): Authorized 5,000,000 shares			
	Outstanding (at original par value)	2,126,562.24	$53,164,056.00	
	Less: In treasury	55,304.66	1,382,616.67	
70		2,071,257.58	$51,781,439.33	
37	Less: Subscriptions in question	10,000	250,000.00	
00		2,061,257.58	$51,531,439.33	
00	Total preferred and common stock		$61,528,939.33	
	Deduct: Deficit		54,219,091.25	7,309,848.08

73 For reservations on capital stock authorized and/or issued, and contingent liabilities see attached statement

71	
21	$85,181,551.21

PARTICULARS OF CAPITAL STOCK

Preferred capital stock, 7% cumulative, $25.00 par value:
(Preferred over common stock in event of any liquidation, dissolution or winding-up of the Company, either voluntary or involuntary, to the extent of $26.25 per share, plus all accrued and unpaid dividends; non-assessable)

Authorized $10,000,000.00

Outstanding - at par		$ 9,997,5
Common capital stock, no par value:		
Authorized, 5,000,000 shares (of which 664,759 shares are reserved for conversion of bonds and contingent liability to stockholders of Pan American Western Petroleum Company)		
Outstanding (including 5,372-2/3 shares to be exchanged for stock of Pan American Western Petroleum Company; 129 shares to be exchanged for certificates of deposit representing 43 shares of stock of United Oil Company and 186.24 shares to be exchanged for 62.08 shares of stock of United Oil Company)	2,126,562.24	
Less: In treasury	55,304.66	
	2,071,257.58	
Less: Subscriptions in question	10,000	
Shares	2,061,257.58	
Equivalent @ $25.00 per share to		51,531,4
		$61,528,9

CONTINGENT LIABILITIES

	Contingent liabilities:	
	Attorneys' fees in connection with Elk Hills litigation	$ 650,000.00
	Lawsuits entered into prior to receivership - estimated probable liability	350,000.00
	Drafts discounted (all paid since January 14 1931)	285,566.77
	Purchase money obligations of eastern subsidiary companies guaranteed	2,088,329.50
0.00	Commitments for purchase of properties by eastern subsidiary companies	2,968,400.00
	Purchase money obligation of distributor guaranteed	12,800.00
	Cancellation of crude oil purchase contracts	Undetermined
	Lease rentals	Undetermined
	Drilling obligations	Undetermined
	Additional shares to be issued to stockholders of Pan American Western Petroleum Company in event of judgment in Company's favor in connection with Elk Hills litigation	52,861-1/3 shares
	Interest on script issued to stockholders of Pan American Western Petroleum Company	Undetermined
	Claims by employees for amounts deducted from salaries and wages and applied on subscriptions to The Richfield Company, approximately	230,000.00
	Claim of employee for commission on export shipments, approximately	445,000.00
	Claims by other employees for commissions, etc.	13,600.00
	Claim for damages for breach of contract	420,000.00

Note: In the event of judgment against the Company in connection with Elk Hills litigation, Petroleum Securities Company is to pay $1,000,000.00 to Richfield Oil Company of California.

9.33

9.33

PRICE, WATERHOUSE & CO.

530 WEST SIXTH STREET

LOS ANGELES

April 25 1931

Mr. William C. McDuffie, Receiver,
Richfield Oil Company of California,
555 South Flower Street,
Los Angeles, California.

Dear Sir:

In accordance with your request, we have prepared and attach hereto a consolidated statement of assets and liabilities of the Richfield Oil Company and its wholly owned subsidiaries as of January 14 1931 after giving effect to the various appraisals of the properties and facilities.

The appraisal of the oil properties is based on market prices prevailing at January 14 1931 and these have since declined sharply. Apart from this, however, we are of the opinion that the appraisal is too high from a practical operating point of view because of the fact that it is based on selling prices, thus making no allowance for any profit in the future other than the return of interest at the rate used to reduce the valuation to present worth.

Yours very truly,

Price Waterhouse & Co

COPY

GIBSON, DUNN & CRUTCHER
634 South Spring Street
Los Angeles, California

May 1st, 1931.

Senator Atlee Pomerene,
1657 Union Trust Building,
Cleveland, Ohio.

My dear Senator:

Re: United States v. Pan American Petroleum Company B-115 M

I am sending you herewith by airmail, with confirmation following by regular mail, a copy of an appraisement by Stone & Webster of the assets of Richfield Oil Company of California and also the assets of the Pan American Petroleum Company, showing:

1. The reproduction cost of the assets of the respective companies at the time of the receivership.

2. The value, as a going concern.

3. Knock-down or forced sale value.

The balance sheet sent you as compiled by Price, Waterhouse & Company showed a substantial excess in value of assets over liabilities. That, of course, was based upon present values as a going concern, and did not take any account of the values of these same assets at forced sale.

You will note from the appraisal by Stone & Webster that the cost to reproduce the Pan American assets would be $42,114,000, and their value as a going concern $21,023,000, while their knock-down or forced sales value is appraised at $8,142,000, or a loss in value at knock-down or forced sale of $12,881,000.00.

As to the Richfield assets, you will notice that on knock-down or forced sale value, there is an appraised difference or loss of $46,000,000.

227364-EP

As you know, the Richfield Oil Company of California is the sole stockholder of the Pan American. I do not understand that as such, it would be liable for any amount which might be decreed due to the Government on final accounting. It is a Delaware corporation. However, the funded debt of the Richfield Oil Company is $24,981,000, and you will note that the knock-down or forced sale value of its assets is appraised by Stone & Webster at $23,810,000, or approximately $12,000,000 less than the amount of its funded debt.

The Pan American funded debt is shown by the audit to be $10,689,400, and the knock-down or forced sale value of its assets $8,142,000, so that you can readily appreciate that in the event of a reversal of the decree in the present suit requiring an accounting for all oil and gas taken from the E. G and I leases, there would be no possibility of the Government of the United States realizing anything upon those leases. On the other hand, at the present time there is a decree of the Federal Court sustaining the validity of the leases, and title to them would unquestionably pass to the purchaser at any bankruptcy or receivership sale of the assets of the Pan American. If this decree should be affirmed, as I confidently expect it will be, the Pan American, or the purchaser of its assets, could drill the leases when and as it saw fit. I suggested a settlement along the lines that it be agreed that the lessee should drill further wells and operate those already drilled only as and when directed by the Secretary of the Navy so to do, with the binding obligation to operate and to drill when and as directed by the Secretary of the Navy; so that, from a practical point of view, it seems to me that the Government would have everything to gain from a settlement along the lines I have suggested without the possibility of any loss, while it has everything to lose and nothing to gain by proceeding with the litigation.

On the other hand, this pending litigation is an obstacle to any attempted re-organization of the Richfield Oil Company and for that reason, the Pan American Petroleum Company can, in my judgment, make concessions to settle the case far in excess of what I would advise any solvent company such as the Standard or Union, to even consider.

In this connection, you should know that the Court, within the last day or so, signed an order directing the Receiver not to pay the instalment of bond interest maturing today, so that the bonds of the Richfield Oil Company of California will be in default, and as soon as a sufficient number of them are obtained by the bondholders' protective committee, foreclosure proceedings cannot be long delayed. Hence, any plan of reorganization, if one is effected, must, it seems to me, be worked out within the very near future. However, I do not want you to be under the impression that it is in any wise certain that bankruptcy can be avoided. We are constantly hearing rumors that certain dissatisfied groups of creditors intend to file involuntary petitions, etc. We are going everything that is reasonably possible

to keep the ship afloat. The Receiver believes that if the present Government suit could be settled, the chances are that some reasonable scheme of reorganization could be worked out which would save millions of loss to creditors and stockholders of this company. But, as indicated, the present suit presents a difficult hurdle to clear in any plan of reorganization that has yet been suggested.

The situation is most urgent, and so far as I am personally concerned, I should like to know at the earliest time possible whether this suit can be settled or not. As I stated to you when you were in Los Angeles, I shall hold myself available to come east on telegraphic notice during the remainder of this month, if you think it advisable. I have a case set for trial, however, on the 15th June in Phoenix, which will take two or three weeks to try, and on which I shall need at least a week's preparation.

Yours very truly,

/S/ Norman S. Sterry

NSS:B.
Enclosure.

Mr. Sterry dictated this letter, read it over and made some pencilled corrections, but was compelled to leave the office before the re-writing was completed.

/S/ I. A. Buchan.
Secretary, Norman S. Sterry.

AP:FW 5-4-31 3 carbs
COPY

Part of

Exhibit XX

STONE & WEBSTER ENGINEERING CORPORATION
1202 Richfield Building
Los Angeles, California

April 25, 1931.

Mr. William C. McDuffie, Receiver,
Richfield Oil Company of California,
Richfield Building,
Los Angeles, California.

Dear Sir:

SPECIAL REPORT
RICHFIELD OIL COMPANY OF CALIFORNIA

In accordance with your request and supplementing our Appraisals and our Estimates of Special Values which we have submitted on certain physical assets of the Richfield Oil Company of California and its subsidiaries, we have assembled certain figures of Special Values with reference to the entire property.

These figures are tabulated on three summary sheets attached hereto and give for each item of the property, both as a whole and grouped as to location and ownership, the following estimates of value:

Cost to Reproduce New Less Depreciation
Value to Richfield Oil Company of California as a Going Concern
Forced Sale Value of Separate Units

Figures for physical assets covered by our appraisal of western properties are taken from our report on Estimates of Special Values, and the basis of these estimates is set forth in that report. Figures for all other physical assets have been taken from the reports of the various agents making appraisals or are based on conferences with these agents. We have accepted figures secured in this manner as correct. Non-physical assets have been estimated by us after an examination of the balance sheets prepared by the auditors.

Reserves for purchase money obligations against individual assets have not been deducted except for Forced Sale Values.

We have omitted from these summaries any attempt to reflect the contingent liability, amounting to nearly $13,000,000, involved in the litigation with the United States Government. We regard this as a separate problem which of course must be considered in any overall judgment regarding the value of the property.

227364-
20.

Value of Good Will to a Going Concern or value of the name RICHFIELD has been omitted from all summaries. We believe that some value resides in these items but we are unable to assign any definite value to them in the present condition of the Company.

The following paragraphs will serve to explain the attached summaries and to offer certain overall comments on them.

Referring to Summary I and to the column of figures headed Cost to Reproduce New Less Depreciation, this set of figures indicates the estimated cost of reproducing the property as it existed on the date of the receivership, assuming that each unit was part of a solvent operating property. In these figures we have included the estimated equity in investments in oil producing and in marketing companies. We have also included estimates of those non-physical assets involved in the creation and operation of the property. These include an estimate of the organization expense normally incurred prior to the beginning of actual construction of the property, an estimate of the expense which would be incurred for marketing securities to be sold in raising funds necessary to create the property, and an estimate of the amount of working capital which such a company should have to provide for a cash reserve, the value of materials and supplies including stocks of crude oil and finished products, and accounts receivable.

The total may be considered to indicate the approximate maximum value which might reasonably be assigned to the property exclusive of any allowance for Good Will or the name RICHFIELD.

The second column of figures headed Value to Richfield Oil Company of California as a Going Concern, indicates the values which might reasonably be assigned to the assets of the property after giving effect to obsolescence, duplication of facilities between Pan American and Richfield Oil Company properties, and the depreciation of natural gasoline equipment which will become non-useful in the near future due to the exhaustion of natural gas in the Los Angeles basin.

Organization and Cost of Financing have been omitted as items which might properly have been amortized prior to this date and which have a very doubtful value in the Company's present condition. Working Capital is shown as a deduction to reflect the Company's present condition as to current assets and liabilities, and the new money necessary to restore a ratio of current assets to liabilities of not less than 2:1.

The resulting total, disregarding this deduction for Working Capital, may be considered as approximating the amount which a solvent company in the position of the Richfield Oil Company of California as to markets, would be entitled to set up on its books as the value of its assets. The lesser total including the deduction for Working Capital may be considered as approximating the net value of the Company for reorganization purposes, exclusive of Good Will or the value of the name RICHFIELD.

The third column headed Forced Sale Value of Separate Units assumes the complete liquidation of the property and the sale of its component parts, the assets of each company being sold separately and bids being received on such assets either as a whole, or singly, or in groups. In such a situation shrewd buyers would presumably pick out certain valuable parts of the property at prices possibly approaching the values assigned to them in the second column of the summary. Other parts would have no market whatever, and on the whole we believe the amount to be realized would not be greatly in excess of the quick sale value of the land plus the salvage value of equipment. The total may be considered as approximating the minimum value of the assets of the Company.

In case a bid should be offered for the entire property, under foreclosure proceedings, by someone desiring to enter the oil business in California, some higher price might be secured depending entirely on the rate at which the bidder were willing to capitalize the market for gasoline which he would secure with the assets of the Company.

Summaries II and III give figures corresponding to Summary I for Pan American properties and for Richfield properties separately. Organization, Cost of Financing, and Working Capital are prorated in the proportion of total assets.

We believe that such total figures as are given in these three summaries must be considered in the light of their relation to some estimate of net earnings. In accordance with your instructions however, we have made no study of markets, but have assumed that there was a market subject to a return of business conditions at least as favorable as existed during 1930, represented by the total gasoline sales as reported to us for that year of 431,500,000 gallons.

On this basis we have considered such data as is readily at hand on net earnings per gallon of gasoline sales available for dividends and surplus, of companies comparable with the Richfield Oil Company of California. We have concluded that excluding abnormal conditions such as obtain at the present time, this figure may vary from two cents per gallon to six cents per gallon depending on the relative market prices of crude oil and gasoline, and also on the amount and quality of crude oil production owned by the Company under consideration, as well as on refinery efficiencies, and on sales policies. Estimates of the relative profit from crude oil as compared with that from refinery operations seem to show that for a company, with only one-third of its refinery through-put available from its own production, the net earnings are probably not over one-half or two-thirds that of a company having two-thirds of its refinery through-put provided from its own production.

We have concluded that a reasonable figure to apply to Richfield Oil Company of California, in view of the low percentage of refinery crude production and the relatively low gravity of such production, is two and one-half cents per gallon. On the basis of 431,500,000 gallons, the assumed sales for 1930, this corresponds to a net profit of $10,800,000.

We have also considered the information available regarding the ratios existing in 1930 between the net earnings of companies comparable with the Richfield Oil Company of California, and the market value of their common stocks. We find this ratio varies widely and may run from 4:1 to 15:1. For the conditions surrounding this Company the range might be said to vary from 4:1 to 8:1, the lower ratio reflecting the attitude of a buyer under forced sale proceedings and the higher ratio a more optimistic attitude toward future earnings under improved conditions in the industry, including the possibility of profitable new production being developed on property controlled by the Company in the San Joaquin Valley.

The assumed net earnings together with the above ratios may be applied to the totals of Summary I as a rough check on these values. For example, the total of the column headed Value to Going Concern without the deduction for working capital bears a ratio to assumed net earnings of 6.4 to 1. Including the deduction for Working Capital the corresponding ratio is 4.8 to 1.

The general opinions given herein are limited by the present chaotic condition of the oil industry in California, and by our general knowledge of the situation. There are many unknown factors in the future of the oil industry in general, which if fully known might completely alter the opinions expressed in this letter, and the values assigned to various parts of the property. The data submitted must therefore be considered as applicable only at the present time. We hope that you will find this report in proper order and that it will be helpful to you.

Yours very truly,

/S/ W. H. Blood, Jr.
Vice President.

SUMMARY - I

APPRAISAL OF PROPERTY

Estimates of Special Values

RICHFIELD OIL COMPANY OF CALIFORNIA AND SUBSIDIARIES (All Judicial Districts)

Item	Cost to Reproduce New Less Depreciation	Value to Richfield Oil Company of Cal. As Going Concern	Forced Sale Value of Separate Units
SUMMARY			
Production	$24,115,000	$24,115,000	$ 8,000,000
Manufacture and Distribution			
Refineries	21,772,000	14,660,000	4,755,000
Pipe Lines	6,983,000	5,978,000	2,861,000
Natural Gas Equipment	3,673,000	1,494,000	491,000
Marine Terminals	1,689,000	1,234,000	585,000
Distributing Stations (Including Airport, Automotive and Tank Car Equipment)	4,798,000	4,307,000	1,452,000
Signs and Dealers Equipment	700,000	350,000	---------
Steamships and Barges	4,333,000	4,333,000	465,000
Service Stations	1,680,000	1,318,000	520,000
Richfield Building	2,800,000	2,339,000	2,000,000
Richfield Oil Corporation of New York (including equity as its subsidiaries)	4,673,600	4,673,600	1,092,000
Consolidated Oil Company	2,335,000	2,335,000	600,000
Miscellaneous useful property	2,564,000	2,564,000	1,000,000
Organization	1,642,000	---------	---------
Cost of Financing	5,985,000	---------	---------
Working Capital	10,000,000	18,000,000	10,000,000*
TOTAL PROPERTY (INCLUDING WORKING CAPITAL)	$99,742,600	$51,700,600	$33,821,000
TOTAL PROPERTY (INCLUDING WORKING CAPITAL)	-----------	$69,700,600	$23,821,000

* Estimated quick assets of Richfield Oil Company of California as of January 15, 1931.

Stone & Webster Engineering Corporation

SUMMARY - II

APPRAISAL OF PROPERTY

Estimates of Special Values

PAN AMERICAN COMPANIES, (including Los Angeles Midway Pipe Line Company)

Item	Cost to Reproduce New Less Depreciation	Value to Richfield Oil Company of Cal. As Going Concern	Forced Sale Value of Separate Units
SUMMARY			
Properties in California Judicial Districts			
Production	$8,802,000	$8,802,000	$1,000,000
Manufacture & Distribution			
Refineries	15,650,000	12,009,000	3,509,000
Los Angeles Midway Pipe Line	3,538,000	3,038,000	2,000,000
Other Pipe Lines	1,670,000	1,508,000	447,000
Natural Gas Equipment	1,606,000	685,000	147,000
Marine Terminals	705,000	250,000	135,000
Distributing Stations (Including Airport, Automotive and Tank Car Equipment Property)	1,626,000	1,605,000	439,000
Barges	86,000	86,000	65,000
Service Stations	530,000	398,000	200,000
Miscellaneous Useful Property	382,000	382,000	200,000
Organization	692,000	---------	--------
Cost of Financing	2,527,000	---------	--------
Working Capital	4,300,000	7,740,000	--------
Total, Properties in California	42,114,000	21,023,000	8,142,000
Properties Not in California Judicial Districts			
None	----------	----------	---------
TOTAL, PAN AMERICAN COMPANIES	$42,114,000	$21,023,000	$8,142,000

SUMMARY - III

APPRAISAL OF PROPERTY
Estimates of Special Values

RICHFIELD COMPANIES (including Richfield Oil Company of California, Richfield Oil Co. United Oil Company, Signal Hill Gasoline Company, Rioco Investment Company and Richfield Oil Corporation of New York)

Item	Cost to Reproduce New Less Depreciation	Value to Richfield Oil Company of Cal. As Going Concern.	Forced Sale Value of Separate Units
SUMMARY			
Properties in California Judicial Districts			
Production	$15,313,000	$15,313,000	$ 7,000,000
Manufacture and Distribution			
Refineries	6,122,000	2,651,000	1,246,000
Pipe Lines	1,775,000	1,432,000	414,000
Natural Gas Equipment	2,067,000	809,000	344,000
Marine Terminals	984,000	984,000	450,000
Distributing Stations (including Airport, Automotive and Truck Car Equipment)	2,434,000	1,972,000	807,000
Signs and Dealers Equipment	700,000	350,000	--------
Steamships and Barges	4,247,000	4,247,000	400,000
Service Stations	950,000	796,000	280,000
Richfield Building	2,800,000	2,339,000	2,000,000
Richfield Oil Corporation of New York (including Equity in its Subsidiaries)	4,673,600	4,673,600	1,092,000
Consolidated Oil Company	2,335,000	2,335,000	600,000
Miscellaneous Useful Property	2,182,000	2,182,000	800,000
Organization	932,000	---------	--------
Cost of Financing	3,390,000	---------	--------
Working Capital	5,600,000	10,080,000	10,000,000 *
Total, Properties in California	$56,504,600	$30,003,600	$25,433,000
Properties Not in California Judicial Districts			
Manufacture and Distribution Distributing Stations (including Airport, Automotive, and Tank Car Equipment)	738,000	730,000	206,000
Service Stations	200,000	124,000	40,000
Organization	19,000	-------	--------
Cost of Financing	67,000	-------	--------
Working Capital	100,000	180,000	--------
Total, Properties Not in California	1,124,000	674,000	246,000
TOTAL, RICHFIELD COMPANIES	$57,628,600	$30,677,600	$25,679,000

* Estimated Quick Assets of Richfield Oil Co. of California as of Jan. 15, 1931.

Stone & Webster Engineering Corporation

CABLE ADDRESS: GIBTRASK

GIBSON, DUNN & CRUTCHER
LAWYERS
LOS ANGELES, CALIFORNIA
634 SOUTH SPRING STREET

July 24th, 1931.

Hon. Atlee Pomerene,
1857 Union Trust Building,
Cleveland, Ohio.

My dear Senator:

Re: United States v. Pan American Petroleum Company B-115 M.

On my return, I had a long discussion with Mr. McDuffie regarding several matters connected with the Richfield receivership and the probable receivership for the Pan American Petroleum Company. Naturally, among the topics of discussion was the complete failure of my attempt to negotiate a settlement of this suit along the lines which I had submitted to you in Los Angeles. As I told you in Cleveland, I have been placed in a very unfavorable light with my clients. While they are too polite to voice their sentiments, I feel they consider that I must be very credulous or stupid to make a three thousand mile trip for the purpose of learning that you would not approve the proposed settlement. That, however, is past, and further discussion of it would not seem profitable.

I told Mr. McDuffie of the suggestion which Mr. Richardson had thrown out during the conference with the Secretary of the Navy, and which you had touched upon in our talk at lunch in Cleveland, viz., that the Attorney General's office might be

COPY

willing to recommend to the Secretary of the Navy a settlement of this suit if the Company would agree to the cancellation of the "E", "G" and "I" leases, the Government, in consideration thereof, to allow the present decree, adjudging that there is no accounting due the Government, to become final. At the same time, I advised him that I would not, myself, be inclined to recommend such a settlement.

My personal reaction, however, is that Mr. McDuffie would be inclined to favor a settlement along those lines, for the reason, first, that he is convinced that there is no possibility of a reorganization of either Pan American or Richfield until this suit is disposed of. Even if we should succeed in having the case docketed for hearing before the Circuit Court of Appeals on the Fall calendar, several months will elapse before a decision can be reached, and if the unsuccessful party before the Circuit Court should obtain a writ of certiorari to the Supreme Court, a further certain delay of twelve to eighteen months would ensue. If our expectation should not be realized and the ultimate decision should be in favor of the Government, such a result would increase the difficulties of reorganization and might cause the bankruptcy of both companies.

The second reason for his favorably considering Mr. Richardson's suggestion is that the Government's present policy

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GIBSON, DUNN & CRUTCHER
LAWYERS
LOS ANGELES, CALIFORNIA
634 SOUTH SPRING STREET

of insisting upon the closing in of the wells, if continued for any very great length of time, will render them of very little practical value. For both of these reasons, I believe Mr. McDuffie would be inclined to favorably consider Mr. Richardson's suggestion.

Of course, there are a great many interests to be consulted, and whose consent would have to be obtained, before I could definitely commit the Pan American Petroleum Company to such a settlement policy. In view of the course of the past negotiations, I do not deem it advisable to discuss the matter with any of the other parties in interest until I know whether or not the Government would favorably consider and act upon such a proposed settlement.

If such a disposition does not meet with your personal approval, I think it useless to do anything further about it. It is quite obvious to me that the present administration could not, and would not, make a settlement of this case which did not meet with the approval of the special counsel handling the same on behalf of the Government. It is not a question as to the official in whom is vested the authority to make the settlement. For the reasons outlined to you in Cleveland, I do not think that the Secretary of the Navy either could or should consider a settlement of this litigation against the recommendation of either the Attorney General or of the special counsel representing the Government.

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If the suggested settlement meets your approval, I request that you, at once, take same up with the Secretary of the Navy and with the Attorney General's office, to ascertain whether the proposition would be acceptable to them. If they indicate that it would be acceptable to them, I can, within a very short period of time, give you a definite answer as to whether I can submit it on behalf of the Pan American Petroleum Company.

In view of the discussions which we have had, and some of the observations which have been made by you and by Mr. Richardson, will you permit me, at the risk of too lengthy a letter, to point out why I believe such a settlement would be of extreme advantage to the Government?

At the outset I would point out that the proposed settlement is a compromise of this litigation, and a compromise presupposes the surrender by each party of something of value if it were ultimately entirely successful, the consideration being the advantage which each party would gain as against an adverse decision. In the instant case, you and I have not agreed as to either the law or the facts. An able and impartial judge has resolved the questions against you. While you are hopeful, and profess to be confident, of inducing the appellate court to take a different view of the facts and the law, it is by no means certain that such will be the result. As I have told you frankly to your face and in court, you have been involved in

COPY

the litigation growing out of the Fall and Doheny fraud for so long that I cannot help but believe that you have lost your perspective. But the mere fact that one judge, as conscientious and entirely unbiased as Judge Norcross, has accepted our views is some indication, at least, that there is merit in them, and that other judges may reach the same conclusion. Indeed, in the conference at Washington, Mr. Richardson stated that he believed that if the appellate court thought that these leases were tainted with fraud, they would not allow any technical rules as to Congressional ratification or res adjudicata to stand in the way of a reversal. Frankly stated, it seems to me that the only hope of the Government for reversal is that the courts will disregard settled rules of equity and law to effect a reversal. I do not believe such a result will be accomplished. There is, however, no use discussing the merits of appeal. We do not agree, and no man on earth can state with any certainty what will be the view of another court on this question. It is not only the lapse of time necessary to a final decision, but the uncertainty of that decision and the entirely disastrous consequences of an adverse decision, which would prompt the Receiver to view with considerable favor the grounds of settlement suggested by Mr. Richardson.

By this settlement the Government would effect the cancellation of these leases and the return of the land to the reserve. This has been asserted by you orally throughout the trial, and in your briefs, as the main object of the Government. The other purpose, that is, to vindicate the governmental

COPY

policy and to entirely expose the fraudulent conduct of Fall and Doheny, has already been accomplished in the prior litigation. The question as to whether these leases were or were not part of that fraud is not a matter which, it seems to me, is of very great public interest. In any event, their surrender and cancellation would achieve the main purpose for which you assert this suit was brought.

The only other object of the suit is to collect the value of the oil extracted. But a decree for that amount against either Pan American or its sole stockholder, Richfield, would be of no practical value to the Government. Neither Company is able to respond to such a decree, and you are surely too fine a lawyer to claim that the Government would be in a position of other than a general creditor and, as such, unable to touch the mortgaged assets of the two companies.

Thus, if the settlement suggested were tendered to the Government, the latter would be faced with the necessity of chosing between continuing an uncertain litigation, with the possibility (and I, personally, believe the probability) of having the decree affirmed and the lessee at liberty to drill when and as it desired, without regard to the Government's wishes; or of accepting the certain cancellation of the leases and the return of the leased property to the Government, in consideration of the surrender of the doubtful chance of reversal carrying a

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LAWYERS

LOS ANGELES, CALIFORNIA
634 SOUTH SPRING STREET

decree for a monetary judgment for the value of the oil produced from these leases, when neither Pan American nor Richfield, its sole stockholder, is financially able to respond at all to such a decree. As a practical proposition it would seem that the suggested settlement is one by which the Government would have everything to gain and nothing to lose.

I am fully cognizant of the fact that you contend that if you are successful in obtaining a reversal of the present decree you can obtain a further decree, against the Pan American Petroleum & Transport Company, for the value of the oil taken by the Petroleum Company from the "E", "G" and "I" leases and sold to the Transport Company. I do not think your proposition is sound, and, entirely independent of whether our claims as to res adjudicata in this suit are sustained or reversed, I am convinced that the decree in the former suit would be a bar to further recovery from the Transport Company. Regardless of whether your views or mine are correct, you must concede that the right to recover from the Transport Company is extremely doubtful and depends upon two contingencies: (1) a reversal of the present decree, and, (2) your ability to obtain a second accounting from the Transport Company for further profits derived by it as a result of the same fraud and conspiracy for which it has already accounted to the Government. But, as against the doubtful possibility of being able to collect from the Transport Company some portion of the value of the oil extracted,

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there is the broader and more comprehensive view that by such a settlement the Government not only will receive the leases which it seeks, by this litigation, to cancel, but it will have made it possible for the parties in interest to work out some plan of reorganization for Pan American and Richfield. Forcing either or both of these corporations into bankruptcy will only contribute to the already unstable financial situation on the Pacific Coast, and from a broad, comprehensive view of the entire situation it would seem to me that the Government would receive more benefit from a settlement which will permit of the reorganization of these corporations, thus tending toward stabilizing financial conditions on this Coast, than from forcing them into bankruptcy, and further depressing the already stringent conditions in this part of the country, in the hope of being able to reverse the decree and using that reversal as a foundation to possibly obtain from another corporation a portion of the money decree due the Government by the Pan American Company.

I have discussed this matter at length in order to answer the various suggestions which have been advanced from time to time either by yourself or by Mr. Richardson. Throughout our conversations I often heard the remark that this litigation might be treated differently if it involved only the interests of private parties. I cannot comprehend why litigation of the Government should not be handled in the same manner that

COPY

efficient business men would handle their own litigation, or why the old axiom that "a poor compromise is better than a good lawsuit" should not apply equally to the Government, when suing in a proprietary capacity, as to any other party litigant, especially when the settlement offered, instead of being a poor one, is really a most excellent one for the Government - a concession to it of the principal object of its suit.

Were I to consider only my personal desires, I would not suggest or urge a settlement. I am as confident as counsel can be of a litigated matter that the decree will be affirmed, but I am equally convinced that no comprehensive plan of reorganization can be evolved until this litigation is out of the way, and therefore that it is probably better for these companies to accept a settlement which I would not advise a solvent concern to offer or accept.

There is but one further thought raised by Mr. Richardson on which I must comment, and that is the time element. It was suggested by him that the Government make a somewhat careful and independent examination of the financial condition of the two companies, on the theory that, while neither Pan American nor Richfield might be able to respond to a decree now, they might be several years from now. I desire to point out, first, that the Government has been placed in possession of every bit of knowledge that either this office or the Receiver has. We have sent you the auditors' reports, and the appraisements which have been

COPY

made by the best engineers obtainable, and the books of the Company have been open to your inspection at all times. But Mr. Richardson, himself, will perceive that a suggestion that these companies might, some years hence, be able to respond to damages is not sound. If either or both of the present companies are forced into bankruptcy, or their assets sold through receivership sale, the purchasers at either bankruptcy or receiver's sale will take the assets free from any claims of liens of any general creditors, and even if the purchasers at such sale should, from the assets of the two companies, be able to form a company which might, years later, be able to respond to a decree for ten or twelve million dollars, that company, of course, would not be liable.

While there is no disposition upon our part to prevent the Government from making any further investigation it can as to the financial status of the companies, I must insist that the time element is the principal and moving consideration which would lead Mr. McDuffie to recommend to other parties in interest a settlement along the lines suggested.

Further, the preparation of the briefs will consume considerable time and energy, and doubtless entail some little expense, all of which ought to be avoided if a compromise is to be effected. If we succeed, as I believe we can, in getting the cause on the

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GIBSON, DUNN & CRUTCHER
LAWYERS
LOS ANGELES, CALIFORNIA
634 SOUTH SPRING STREET

Fall calendar, it will mean that both of us will have to prepare our briefs during September, and the early part of October. I had hoped to get away for a vacation during that time. I do not desire, personally, to give up the only time which I will have for a vacation, and expend the energy and money incident to printing a brief, and have it all go for nothing because of a belated settlement.

Therefore, this tentative proposition cannot be kept open by me for a period in excess of thirty days. I must know, within that time, whether the Government will or will not favorably consider and act upon an offer to settle the case along the lines suggested, if made. If, within the next thirty days, I can be advised that the Government will favorably consider such settlement, I am quite certain that within two weeks I can either formally submit the proposition to you to be acted upon, or else advise you that it will not be entertained. But, for the reasons stated, I must insist that this tentative proposition cannot be considered as an indefinite proposition to be accepted by the Government at any time it sees fit. The time element being the moving consideration to ourselves, we must request a reply as early as possible.

I am sending this letter to you in triplicate, so that if the proposition meets with your approval, you may, without delay, transmit a copy to the Secretary of the Navy and to Mr. Richardson.

COPY

CABLE ADDRESS: GIBTRASK

GIBSON, DUNN & CRUTCHER
LAWYERS

LOS ANGELES, CALIFORNIA
634 SOUTH SPRING STREET

Hon. Atlee Pomerene /12

In closing, I reiterate that if the suggested solution does not meet with your personal approval, I think it a waste of time and energy to go further with it.

Assuring you of my personal esteem, I am

Very sincerely yours,

Norman S. Sterry

NSS:H

COPY

(8)

UNITED STATES BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT LOS ANGELES, CALIFORNIA. L. A. FILE NO. 46-59-

REPORT MADE AT:	DATE WHEN MADE:	PERIOD FOR WHICH MADE:	REPORT MADE BY:
Los Angeles	12-31-34	11/26/34 to 12/8 & 27/34	M. B. Myerson RS

TITLE:	CHARACTER OF CASE:
PAN AMERICAN PETROLEUM COMPANY, ET AL.	Fraud Against the Government

SYNOPSIS OF FACTS: Price, Waterhouse & Company report on Pan American income verified so far as practicable against general ledgers and production department reports. Report on Richfield income will be ready for verification in near future.

P.

Copy to Cleveland 1/6/35 HG

REFERENCE: Report of Special Agent M. B. Myerson, Los Angeles, California, dated Nov. 23, 1934.

DETAILS: AT LOS ANGELES, CALIFORNIA.

For the purpose of verifying the figures as shown in the report of Price, Waterhouse & Company, dated November 2, 1934, and dealing with the segregation of assets at April 30, 1932, as between mortgaged and unmortaged, and on plans for division of income for the period May 1, 1932 to June 30, 1934, this agent, assisted by Special Agent (A) F. C. Culberson, checked the trial balance as prepared by Price, Waterhouse against the general ledger of the Pan American Petroleum Company. All adjustments were also checked. The general ledger was found to be in agreement with said trial balance, and agents further approve of the adjustments, which they consider proper.

Operating Income, as reflected in Price, Waterhouse report, was found to be correct, by checking same against the "01" reports, said "01" reports being summary Production Department reports prepared in the field office of Richfield

DO NOT WRITE IN THESE SPACES

APPROVED AND FORWARDED: J. E. P. Dunn SPECIAL AGENT IN CHARGE

62-25711-76

RECORDED AND INDEXED: JAN 5 - 1935

UNITED STATES JAN 4 1935 A.M. BUREAU OF INVESTIGATION

CHECKED OFF: JAN 8 1935

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6 Division
2 Los Angeles

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1/7/35 Copy Blair
1/16/35 Harman

Oil Company from data supplied directly by the Production Department.

Net Loss was checked against the General Ledger Trial Balances at the beginning and end of the period by determining the Receiver's equity at the beginning and at the end. The net loss shown on Price, Waterhouse report was found to be in accordance with the books.

Special Agent Culberson visited the Division Accounting Office of the Richfield Oil Company at Richville, Long Beach, California, where the large part of the Richfield-Pan American accounting work is done. At said office, Agent Culberson determined that as many as ten different methods of apportionment of expenses are used, further complicated by a distribution of expense between mortgaged and unmortgaged properties. It was also found at Long Beach that some expenses of the Signal Hill Gasoline Company, wholly owned by Richfield, were partly for the benefit of the Richfield and Pan American. In these instances, Signal Hill bills the Richfield Oil Company, and the latter distributes the expense to the leases served, which are both Richfield and Pan American leases.

Agent Culberson made a test check of the Hobson Fee lease for one month for methods of pro-rating the expenses, and to what extent the expenses were direct charges, involving no pro-ration. The result of this check was that a majority of all expenses allocated were upon pro-ration bases, those methods of pro-ration involved in the Hobson Fee lease being as follows:-

1. Power and Electric Plant Expenses: Electricity, on basis of estimated kilowatt hours. Steam, on basis of estimated fuel consumption.
2. Pumping Expenses: On basis of producing well days.
3. Water: On basis of water consumed as estimated by field superintendents or engineers.
4. Gas Lift Expenses: On basis of throughput of dry gas per well.
5. Materials Used: On basis of cost plus 15% handling charge to cover wages of stores department, etc.
6. Field Overhead Expenses and Miscellaneous Field Expenses: On basis of direct labor.
7. Production Department Administrative and Office Expenses: On basis of direct labor.

Other methods of pro-ration of expenses are as follows, although these were not employed during the month which was test-checked:-

1. Waste Water Disposal: On basis of barrels of water run through drainage system.
2. Use of Drilling Tools: On basis of fixed rate per day. Rate adjusted periodically to absorb all expenses.
3. Gauging and Testing Expenses: On basis of gross barrels produced.

So far as checked by Agent Culberson, and discussed by him and this agent, the methods employed are equitable and it is believed they result in as accurate a distribution of expense as can be obtained. As a matter of fact,

agents are impressed by the detail with which the various distributions of expense are made, tending to bring about a result as near as possible to that which would be obtained if all expenses were directly charged.

On or about December 18, 1934, one Mr. Lugee, of Stone and Webster Engineering Corporation, New York, retained by the bondholders, conferred with Homer Crotty, attorney for both the Richfield and Pan American receiver, and agents. He promised to return to Los Angeles about January 15, 1935, in an endeavor to settle the question of distribution of Pan American income. Upon his return, agents will be called into conference with him and others in interest for that purpose.

Agents were informed by Price, Waterhouse accountants that they will complete the income figures in the Richfield Oil Company in the near future, at which time it is the intention of agents to cover the matter in a manner similar to that in the Pan American case.

It will be noted that agents are not making a detailed check of figures submitted. Test checks have been made wherever considered advisable, as it would take months to do otherwise. In addition to the test checks made by agents, Price, Waterhouse accountants make similar checks when auditing the books of the Pan American and Richfield, due to the volume of work which would be necessary to audit the books in detail.

It is anticipated that the Richfield income figures can be verified within thirty days after they are made available.

PENDING.

LRP:VVK

RECORDED 62-25711-77 January 23, 1935.

Mr. Frank Harrison,
1857 Union Trust Building,
Clevdland, Ohio.

Re: PAN AMERICAN PETROLEUM COMPANY, et al.
Fraud Against the Government.

Dear Sir:

For your information, there is enclosed herewith, copy of the report submitted in the above case by Special Agent M. B. Myerson, dated at Los Angeles, California, December 31, 1934.

Very truly yours,

John Edgar Hoover,
Director.

Enclosure #318950.

1c opy

FILED & SECTION
MAILED
JAN 23 1935
P. M.
DIVISION OF INVESTIGATION,
U. S. DEPARTMENT OF JUSTICE

LRP

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DIRECTOR

DIV OF INVESTIGATION US DEPT OF JUSTICE PENN AVE AT 9 ST NORTHWEST

WASHN DC

PAN AMERICAN PETROLEUM COMPANY FRAUD AGAINST THE GOVERNMENT

COUNSEL FOR RECEIVER RECEIVED TELEGRAM FROM SPECIAL ASSISTANTS

CLEVELAND ADVISING THEY HAVE NOT YET RECEIVED COPY REPORT AGENT

MYERSON THIS OFFICE DATED DECEMBER THIRTY FIRST

DUNN BES.

Mr. Nathan
Mr. Tolson
Mr. Clegg
Mr. Baughman
Chief Clerk
Mr. Coffey
Mr. Edwards
Mr. Egan
Mr. Harbo
Mr. Keith
Mr. Lester
Mr. Quinn
Mr. Schilder
Mr. Tamm
Mr. Tracy
Miss Gandy

RECORDED 62-25711-77

JAN 25 1935

DIVISION OF ...
JAN 24 1935
U. S. DEPA...

TAMM TWO

Letter Frank Harrison
1/25/35 LRP

JOHN EDGAR HOOVER
DIRECTOR

Division of Investigation
U. S. Department of Justice
Washington, D. C.

LRP:VVK

9:58 A.M.

2:30 P.M.

January 30, 1935.

MEMORANDUM FOR THE FILE

Re: PAN AMERICAN PETROLEUM COMPANY, et al.
Fraud Against the Government.

Assistant Attorney General Harry Blair telephoned and stated that there would be a meeting in Cleveland tomorrow between the various parties in interest in the above case, and he desired information as to whether there was any rule of accountancy as to the basis of distribution between mortgaged and unmortgaged assets of the Pan American Petroleum Company. I advised him that after the Pan American Petroleum Company and the Richfield Oil Company were consolidated, that their assets were commingled contrary to the agreement of consolidation and that the matter of definitely ascertaining what assets were mortgaged and what were unmortgaged on an indenture was a matter purely up to the attorneys.

He then requested that I advise him where former Special Agent (A) R. E. Brake could be located as Mr. Frank Harrison desired this information immediately, and I advised him that Brake is presently at the Drury Hall, 2030 East 86th Street, Cleveland, Ohio.

Mr. Blair requested an additional copy of Special Agent M. B. Myerson's report dated at Los Angeles, California, November 23, 1934, for transmittal to Mr. Harrison today in order that he have the information for tomorrow's meeting, and this copy was furnished him.

Mr. Collett, assistant to Mr. Blair, telephoned me at 2:30 P.M. and advised that he had a letter from Mr. Harrison wherein he requested information concerning the mortgaged and unmortgaged assets, and I advised him that this information was contained in the report given Mr. Blair this morning. I further advised him that if Mr. Harrison contacts Mr. Brake at Cleveland tomorrow that he has full knowledge of the report submitted by Price, Waterhouse & Company, wherein they set out eight different plans under which the operating profit was segragated as to mortgaged and unmortgaged assets.

RECORDED 62-25711-78

L. R. Pennington
L. R. Pennington.

FEB 1 1935

FEB 5 1935
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GSE:ms

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January 30, 1935

Hon. Atlee Pomerene,
Hon. H. J. Crawford,
Hon. Frank Harrison,
Special Assistants to the Attorney General,
1357 Union Trust Building,
Cleveland, Ohio.

Gentlemen:

Re: Pan American Petroleum Case

This will acknowledge receipt of your letter under date of January 26, 1935, with reference to a determination of the expenses and income to be apportioned between the mortgaged and unmortgaged assets of the above receivership.

It is the understanding of this Division, after a conference with Mr. Pennington of the Bureau of Investigation, that Mr. Drake is fully familiar with this situation and can give you a first hand analysis of the Price-Waterhouse report and the advantage of accepting Plan #3 set out in the the report of Special Agent Ryerson, Los Angeles, California, dated November 23, 1934, a copy of which was forwarded to you this morning under separate cover.

Respectfully,
For the Attorney General,

Harry W. Blair,
Assistant Attorney General.

SQUIRE, SANDERS & DEMPSEY

COPY

1857 Union Trust Building,
Cleveland, Ohio.

January 26, 1935.

The Attorney General,
Department of Justice,
Washington, D. C.

Attention: Hon. Harry W. Blair,
Assistant Attorney General

Re: Pan American Petroleum Company

Dear Sir:-

We acknowledge receipt of a letter from Hon. J. Edgar Hoover dated January 23rd enclosing a copy of the report of his Special Agent M. B. Myerson of Los Angeles dated November 23, 1934. Mr. Myerson's report verifies the figures and form of the report of Price, Waterhouse & Company, dated November 2, 1934, dealing with the segregation of assets and division of income based thereon.

We wish the Division of Investigation would give us a report as to which of the plans suggested by Price, Waterhouse & Company for dividing the income is most sound, or in what respects the plan or plans should be changed to reach a sound result and support their report with a statement of their reasons.

The mortgagee is entitled to the income from the property determined to be subject to the mortgage, and is chargeable with both capital and operating investments by the Receiver thereon, and the Government is entitled to the income from the unmortgaged assets, and is chargeable with both the capital and operating investments of the Receiver thereon, and income, the source of which cannot be definitely identified, and expenses, the object of which cannot be definitely identified, as between mortgaged and unmortgaged property, will have to be apportioned according to some fair theory. Property that is operated at a loss, or at an artificial or small profit, in view of general conditions in such industry, should not share a commingled income from mortgaged and unmortgaged property in proportion to valuations.

Assuming the foregoing to be correct legal principles, what plan would accountants consider to be fair and in accordance with common sense, and why? Our question does not require, so far as we can see, any further investigation of the Pan American books, but simply requires an analysis such as an expert witness would give based on existing reports. The terms of the agreement under which the Receiver of Richfield operates Pan American properties, and also general conditions in the oil industry

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SQUIRE, SANDERS & DEMPSEY

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 January 28, 1935

must be considered.

We expect to have a conference with the attorney for the mortgagee, looking toward a compromise settlement of the question of division of income, and accounting for investments and expenses, in the very near future. We need the foregoing analysis from an accountant's standpoint, including the various reasons for the conclusions, so as to be able to meet the arguments of the counsel for the mortgagee when we have that imminent conference looking towards a compromise settlement.

Very truly yours,

____

____

____

Special Assistants to the Attorney General

FH:EG

62-25711-78

JRP:DM

62-25711 - 79

RECORDED

March 7, 1935.

Special Agent in Charge,
Los Angeles, California.

RE: PAN-AMERICAN PETROLEUM COMPANY
Fraud Against the Government.

Dear Sir:

Reference is made to your letter dated February 27, 1935, requesting permission to submit copies of all reports in the above case to Special Assistant to the United States Attorney John R. Leyng in Los Angeles, and to the Special Assistants in Cleveland, Ohio.

The requested permission is granted.

Very truly yours,

John Edgar Hoover,
Director.

1 yellow copy

DIVISION OF INVESTIGATION
FROM: UNIT #1 & UNIT #3

______________ 1935.

TO: ____Director
____Mr. Nathan
____Mr. Tolson
____Mr. Edwards
____Mr. Quinn
✓ Unit Two

____Unit Four
____Files Section
____Personnel Files
____Equipment Section
____Chief Clerk's Office

____Unit Five
____Identification Unit
____Statistical Section
____Technical Laboratory

SUPERVISORS

Unit One
____Mr. Listerman
____Mr. Lowdon
____Mr. Bryan
____Mr. Newby
____Mr. Richmond
____Mr. Thompson
____Mr. Chambers

Unit Three
____Mr. Joseph
____Mr. Berens
____Mr. Foxworth
____Mr. Weeks

____Miss Gandy
____Mrs. Kelley
____Miss McCarthy
____Mr. Ward
____M ______________

____Correct
____Re-write
____Re-date
____See me
____Send file
____Note and Return

Has Dept approved
this procedure?
Mr. Blair wants this done.

E. A. Tamm - Room 5107.

W

U. S. Bureau of Investigation

Department of Justice
P. O. Box 536
Los Angeles, Calif.
February 27, 1935.

Director,
Federal Bureau of Investigation,
U. S. Department of Justice,
Pennsylvania Ave., at Ninth St., N. W.,
Washington, D. C.

Dear Sir:

In re: Pan-American Petroleum Company
Fraud Against the Government
LA File 46-59

To date, it has been the custom to forward five copies of all reports in this case to the Bureau and retain two copies in the Los Angeles file. However, the Special Assistants to the Attorney General have complained on occasions that they are not receiving their reports from the Department at Washington in time and this complaint has also been voiced by Special Assistant to the United States Attorney John R. Layng in Los Angeles.

In view of the fact that negotiations are now pending for a settlement, the Special Assistants are more interested than ever in receiving copies of reports in this case promptly, and permission is, therefore, requested to submit copies of all reports to Mr. Layng and the Special Assistants in Cleveland, Ohio.

Very truly yours,

J. E. P. Dunn

J. E. P. DUNN
Special Agent in Charge.

MBM:HD

Letter dac Los Angeles 3/7/35 LRP.

RECORDED

MAR 8 - 1935

62-25711-79
DIVISION OF INVESTIGATION
MAR 21 1935 A.M.
U. S. DEPARTMENT OF JUSTICE
FILE

UNITED STATES BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT LOS ANGELES, CALIFORNIA. L. A. FILE NO. 46-59-

REPORT MADE AT:	DATE WHEN MADE:	PERIOD FOR WHICH MADE:	REPORT MADE BY:
Los Angeles	2-26-35	1/21 to 29/35, & 2/14/35	F. C. Culberson RS

TITLE:	CHARACTER OF CASE:
PAN AMERICAN PETROLEUM COMPANY, ET AL.	Fraud Against the Government

SYNOPSIS OF FACTS: Three plans submitted by Price, Waterhouse & Company accountants for the division of operating income of Richfield Oil Company of California and its subsidiaries are discussed herein. Income figures have been checked by Bureau accountants. Plans for division of income of Pan American Petroleum Company discussed herein.

P.

REFERENCE: Reports of Special Agent M. B. Myerson, Los Angeles, Calif., dated 11-23-34 & 12-31-34.

DETAILS: AT LOS ANGELES, CALIFORNIA.

Copy of report bearing date of February 5, 1935, submitted by Price, Waterhouse & Company, certified public accountants, to William C. McDuffie, Receiver of Richfield Oil Company of California, has been received by the Los Angeles Bureau office. The operating income of $3,011,096.26, as set forth in the aforesaid report, has been checked against the books of the Receiver and found to be in agreement therewith after giving effect to adjustments made by Price, Waterhouse & Company accountants, which adjustments are considered proper.

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APPROVED AND FORWARDED: [signature] SPECIAL AGENT IN CHARGE

62-25711-80

RECORDED AND INDEXED: MAR 2 - 1935

UNITED STATES MAR 2 1935 A.M. BUREAU OF INVESTIGATION

CHECKED OFF: MAR 9 1935

JACKETED:

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5 Bureau
2 Los Angeles

ROUTED TO: STAT. SECT. FILE

3/6/35 - 2 copies Blair

7-3034

The aforesaid report of Price, Waterhouse & Company sets forth three plans for the division of the operating income of $3,011,096.26, which is the operating income before deducting allowance for depletion, depreciation and losses on properties abandoned or sold, and which represents the operating income not only of Richfield Oil Company of California, but also of its subsidiaries, The United Oil Company, Richfield Oil Company (a California corporation) and Richfield Stations, Inc. The three plans are as follows:-

"Plan 1 - Division according to the ratio of (a) the total mortgaged assets and (b) the total unmortgaged assets to (c) the total of all assets as at July 31, 1932, as shown by the attached exhibit.

"Plan 2 - Allocation of hypothetical operating profits of the respective oil lands and steamships to such properties (mortgaged and unmortgaged) as may be said to have produced these profits and division of the remaining loss in proportion to such profits. Inasmuch as the pipe lines, refineries and marketing facilities of the Receiver are jointly operated with the similar facilities of the Receiver for Pan American Petroleum Company, it is impracticable to prepare any hypothetical figures for operating profit for departments other than the oil lands and steamships.

"Plan 3 - Division according to the ratio of (a) the total depreciation and depletion on mortgaged properties and (b) the total depreciation and depletion on unmortgaged properties to (c) the total depreciation and depletion on all properties. This is on the theory that figures for depletion and depreciation of the respective properties measure their use in the production of operating profit. The figures for total depletion and depreciation are those recorded on the books of the Receiver for the period except that for the purpose of this plan depletion has been limited to the amount of the hypothetical profits (used for Plan 2) of the oil lands in each class. This limitation is considered fair inasmuch as the depletion taken on the books (based on the appraised values for oil lands as at January 15, 1931) is greatly in excess of amounts reasonably to be considered as representing depletion in the operating accounts of an oil producing business under conditions existing during the period."

The courts have ruled that the following dates are to be taken as the dates on which the receivership was extended to the mortgaged properties:-

Southern District of California	July 28, 1932
Northern District of California	July 29, 1932
District of Arizona	Aug. 2, 1932
District of Oregon	Aug. 2, 1932
Eastern District of Washington	Aug. 4, 1932
Western District of Washington	Aug. 29, 1932.

Inasmuch as the books of the Receiver were not closed on any of the above dates, Price, Waterhouse & Company have taken the date of July 31, 1932, as the date for segregation of assets as between mortgaged and unmortgaged interests,

and August 1, 1932, as the opening date of the period whose earnings are subject to division between the mortgaged and unmortgaged interests. Price, Waterhouse & Company report covers division of income for the period August 1, 1932 to June 30, 1934. The report treats the income of Richfield Oil of California and its subsidiaries as derived from one organization without regard to any minority interests, which are negligible. The only minority interest existing is in The United Oil Company and is .0191% of the outstanding capital stock, the other 99.9809% of the stock being held by Richfield Oil Company of California. The entire outstanding capital stock of Richfield Oil Company (a California corporation) is held by The United Oil Company. Richfield Stations, Inc., has a nominal capital of $75.00 which is owned by Richfield Oil Company of California.

SOURCE OF INCOME

The following is quoted from the hereinbefore-mentioned report of Price, Waterhouse & Company:-

"The properties of Richfield Oil Company of California and its wholly owned subsidiary companies in the West are operated by the Receiver with the properties of Pan American Petroleum Company, and its subsidiary, as a single business enterprise. Properties of Richfield Oil Company of California and The United Oil Company produce crude oil which, with crude oil purchased from Pan American Petroleum Company and others, is run through pipe lines belonging to Richfield Oil Company of California and Richfield Oil Company (a California corporation), and also through pipe lines belonging to Pan American Petroleum Company and its subsidiary company, Los Angeles Midway Pipe Line Company. The crude oil is refined principally at Watson refinery (owned by Pan American Petroleum Company) and to a lesser extent at Rioco Refinery, ownership in which is divided between Richfield Oil Company of California, The United Oil Company and Richfield Oil Company (a California corporation). The Receiver operates a fleet of steamships, seven of which belong to Richfield Oil Company of California and one to Richfield Oil Company (a California corporation), also tank cars owned by Richfield Oil Company of California and Pan American Petroleum Company. When not engaged in transporting company products, the steamships are frequently chartered to other oil companies. The refined products are sold through distributing and service stations owned or leased by Richfield Oil Company of California, Richfield Oil Company (a California corporation), and Pan American Petroleum Company. Products are delivered by trucks owned by Richfield Oil Company of California. The facilities of Pan American Petroleum Company used by the Receiver of Richfield Oil Company of California are operated by him under an agreement dated November 1, 1931 (effective as of January 15, 1931) which agreement provides that he be given the right to operate, either directly or through any subsidiary or subsidiaries of Richfield Oil Company of California, all properties of Pan American and Los Angeles Midway excepting the former's oil producing properties."

PLANS FOR DIVISION OF INCOME

From the foregoing it will be seen that the operating income is derived from many sources and that the operations involved the use of facilities which were jointly owned by Richfield Oil Company of California and/or its subsidiaries.

Furthermore, most of the facilities used were partly mortgaged and partly unmortgaged, which complicates the problem of division of income as between mortgaged and unmortgaged interests.

PLAN NO. 1:-

This plan is based on the assumption that all assets contributed to the production of the operating profit in direct proportion to their value as at July 31, 1932. While this assumption may not be exactly correct, it is true that all assets (with a few exceptions noted in Price, Waterhouse & Company report and which do not materially affect the result arrived at) were used in the production and processing of the products, the operations including production of crude oil, transportation, refining and selling.

The operating profit to be divided is a REALIZED PROFIT and was realized only upon the sale of the finished product, in the production of which most, if not all, of the assets were utilized. It is therefore equitable that the mortgaged and unmortgaged assets should participate in the operating profit in direct proportion to their value.

It is believed that the assumption on which this plan is based has a more direct and logical connection with the production of the operating income than the assumptions on which the other plans are based.

The results of the application of this plan are shown in the following statement:-

	Mortgaged	Unmortgaged	Together
Assets as at July 31, 1932, segregated in accordance with the special master's rulings -	$24,462,950.64 (51.08%)	$23,430,063.22 (48.92%)	$47,893,013.86 (100%)
Operating profit allocated in the same ratio -	$ 1,538,067.97 (51.08%)	$ 1,473,028.29 (48.92%)	$ 3,011,096.26 (100%)

PLAN NO. 2:-

This plan is based on the assumption that the crude oil produced by the oil lands could have been sold at the posted field price, and that the steamships could have been chartered to outside companies at average quoted rates for the services rendered. The total hypothetical operating profit allocated to the oil lands and steamships under this plan is $3,151,256.43, which is $140,160.17 more than the operating profit to be divided. In other words, the plan assumes that the oil lands and steamships were operated at a profit of $3,151,256.43 and that there was an operating loss on other properties of $140,160.17.

It should be borne in mind that the operating profit to be divided is REALIZED PROFIT and that it was realized not at any intermediate point in its production, but only when the company's finished products or services were actually sold.

Regardless of the cost of the product at any intermediate stage of its production and the likelihood of the realization of a profit based on such intermediate cost, no profit was realized until the product was actually sold, and all properties utilized in handling the product up to the time of its sale contributed to the final profit realized and should share in its distribution. It is therefore difficult to see the logic or equitableness of this plan, which assumes the realization of a profit as a result of the hypothetical sale of crude oil.

The results of the application of this plan are shown in the following statement:-

	Mortgaged	Unmortgaged	Together
Operating profit:			
Allocated to oil lands	$1,733,085.15	$ 115,540.28	$1,848,625.43
Allocated to steamships	178,094.03	1,124,536.97	1,302,631.00
Together -	$1,911,179.18	$1,240,077.25	$3,151,256.43
	(60.65%)	(39.35%)	(100%)
Remaining loss allocated in the same ratio -	-- 85,007.14	-- 55,153.03	--140,160.17
Total net operating profit	$1,826,172.04	$1,184,924.22	$3,011,096.26
	(60.65%)	(39.35%)	(100%)

PLAN NO. 3:-

This plan is based on the assumption that the properties contributed to the production of the operating profit in direct proportion to the depletion and depreciation sustained by the properties.

Inasmuch as the largest item entering into the calculations under this plan is depletion, its equitableness, if any, must be on the assumption that most of the operating profit to be divided was realized by the production department. This assumption does not fit the facts, for the reasons heretofore set forth in discussion of Plan No. 2.

Plan No. 3 is especially inequitable to the unmortgaged interests, because most of the depletion on which the division is largely based was sustained by the mortgaged assets. It should be remembered that the crude oil was not sold without processing, and that the profit to be divided was not realized from the production of crude oil. Hence this plan, which assumes the realization of the operating profit on the production of crude oil, is based on assumptions far removed from the facts, and could not, therefore, possibly result in an equitable distribution.

The results of the application of this plan are shown in the following statement:-

	Mortgaged	Unmortgaged	Together
Basis of division:-			
Depletion:			
Per books	$2,389,523.40	$ 162,581.51	$2,552,104.91
Deduct - Excess of depletion per books over operating profit allocated to oil lands under Plan No. 2 -	656,438.25	47,041.23	703,479.48
Amount equal to operating profit allocated to oil lands under Plan No. 2.-	$1,733,085.15	$ 115,540.28	$1,848,625.43
Depreciation	882,795.48	903,562.23	1,786,357.71
	$2,615,880.63	$1,019,102.51	$3,634,983.14
	(71.96%)	(28.04%)	(100%)
Operating profit allocated in the same ratio -	$2,166,784.87	$ 844,311.39	$3,011,096.26
	(71.96%)	(28.04%)	(100%)

Following is a summary of the results of the division of operating profit under the three plans heretofore discussed:-

Proportion of operating profit allocated to:

Plan	Bondholders		General Estate		Together
	%	Amount	%	Amount	
#1	51.08	$1,538,067.97	48.92	$1,473,028.29	$3,011,096.26
#2	60.65	1,826,172.04	39.35	1,184,924.22	3,011,096.26
#3	71.96	2,166,784.87	28.04	844,311.39	3,011,096.26
AVERAGE - -	61.23	$1,843,674.96	38.77	$1,167,421.30	$3,011,096.26

INCOME DERIVED DIRECTLY FROM UNMORTGAGED ASSETS

It appears that the following items of non-operating income were derived from the current assets:-

Interest on Notes & Accounts Receivable	$ 35,664.88
Interest on Bank Deposits	111,477.38
Cash Discount on Purchases	32,289.98
Total	$179,432.24

It is understood that the Special Master has ruled that all current assets are unmortgaged, and if so, it appears that the foregoing income should be allocated to the unmortgaged interests and deducted from the total income in arriving at the amount to be divided under any of the foregoing plans.

COMMENTS ON VARIOUS PLANS OF DIVISION OF INCOME OF PAN AMERICAN PETROLEUM COMPANY FOR THE PERIOD MAY 1, 1932, to JUNE 30, 1934, AS SUBMITTED BY PRICE, WATERHOUSE & COMPANY IN THEIR REPORT DATED NOVEMBER 2, 1934.

PLAN NO. 1

This plan contemplates the deduction of the capital additions from the operating profits and the apportionment of the remainder of the operating income to the mortgaged and unmortgaged assets in the ratio of the book values of the mortgaged and unmortgaged assets as at April 30, 1932.

This plan, as stated above, contemplates the deduction of the capital additions from the operating profits in order to arrive at the amount to be divided in proportion to the book values of the assets. The capital additions do not affect the amount of operating income, and the figure remaining after the deduction thereof does not represent operating profit. The net result of the plan is that division of income is partially made on the arbitrary basis of the amount of capital additions to the extent of such capital additions, the balance of the operating income being divided in proportion to the book values of the assets. The fallacy of this is seen in that the more capital additions made either to the mortgaged or unmortgaged property, the greater would be the respective interest's participation in operating income. To use an extreme illustration, if the capital additions to mortgaged property had been $760,954.88, and to the unmortgaged property $1.00, there would have been no remaining income to be divided in proportion to the book values, with the result that although the mortgaged assets benefitted by the capital additions they were permitted thereby to enjoy all the operating income.

As to division of income in proportion to the book value of assets, see comments on Plan No. 2, following, which apply with equal force to this Plan No. 1.

PLAN NO. 2

This plan contemplates the apportionment of the operating profits in ratio of the values of the mortgaged and unmortgaged assets at April 30, 1932, and the deduction from the respective interest's share as thus determined of the capital additions of the period May 1, 1932 to June 30, 1934.

Under the operating agreement entered into between William C. McDuffie, as Receiver for Richfield Oil Company of California, and Pan American Petroleum Company and Los Angeles Midway Pipe Line Company, under date of November 1, 1931, Pan American was to receive no cash income and to make no cash outlays in connection with the operation of its properties other than oil producing properties by the Richfield receiver. The only income to be received by Pan American was from its oil producing properties. It is therefore difficult to see why the distribution of such income as between mortgaged and unmortgaged assets should be based upon the valuation of properties which under the operating agreement returned no cash income. Such a procedure does not seem to be in agreement with the principle that the mortgagees shall receive the income derived from the mortgaged assets only.

PLAN NO. 3

This plan contemplates participation in the operating income in proportion to the operating income produced by the mortgaged and unmortgaged assets respectively. It is well established that after the date of the extension of the receivership, the mortgagees should enjoy the income from the mortgaged assets. Quite obviously, the plan of distributing operating income which apportions to the mortgaged assets most accurately the income derived therefrom adheres most closely to the law. Inasmuch as Plan No. 3 contemplates assigning to the mortgaged and unmortgaged interests respectively the income arising therefrom, such plan is most satisfactory in contemplation of the law. This plan goes directly to the question of operating income and is not based on some arbitrary method of distribution the basis of which may or may not have some logical connection with the production of income.

The gross income apportioned to the mortgaged and unmortgaged assets respectively under this plan represents the value of crude oil sold from the mortgaged and unmortgaged properties respectively, as determined from the records of the Production Department. The expenses deducted from such gross income are apportioned to the mortgaged and unmortgaged properties respectively in accordance with generally accepted accounting practice.

PLAN NO. 4

This plan contemplates apportioning the operating profit in ratio of the charges for depletion, depreciation and losses sustained by the mortgaged and unmortgaged assets respectively, and deducting from the profits so apportioned the actual additions to capital assets as in Plans Nos. 2 and 3.

This plan is inequitable to the unmortgaged interests because the greater part of such charges for depletion, depreciation and losses arose from mortgaged assets which neither actually nor theoretically contributed to the income. Under the operating agreement, all the income is derived from the producing properties, whereas the greater part of the depreciation charges apply to the non-producing properties, the greater part of which are mortgaged.

This plan is very similar to Plan No. 2 in its application, and is subject to the same objections as advanced against Plan No. 2.

PENDING.

JOHN EDGAR HOOVER
DIRECTOR

Federal Bureau of Investigation

U. S. Department of Justice

LRP:DM
1:03 P. M.

Washington, D. C.

March 7, 1935.

MEMORANDUM FOR MR. TAMM

Re: Pan-American Petroleum Company; Fraud Against Government.

Relative to the request of the Los Angeles office that copies of their reports in the above case be submitted by them direct to Special Assistant to the United States Attorney John R. Layng, and the Special Assistants in Cleveland, Ohio, Mr. Pennington discussed this with Mr. Blair and he stated that he would appreciate it very much if we would give them these reports direct, as they would then have them promptly at the time the Los Angeles office submitted the report. Mr. Pennington advised him that this would be done.

Respectfully,

J. S. Egan.

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U. S. DEPARTMENT OF JUSTICE

FILE

TAMM

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UNITED STATES BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT LOS ANGELES, CALIFORNIA L. A. FILE NO. 46-59

REPORT MADE AT:	DATE WHEN MADE:	PERIOD FOR WHICH MADE:	REPORT MADE BY:
Los Angeles, Calif.	4/10/35	4/6/35	F. C. CULBERSON EL

TITLE:	CHARACTER OF CASE:
PAN AMERICAN PETROLEUM COMPANY, ET AL	FRAUD AGAINST THE GOVERNMENT

SYNOPSIS OF FACTS: Supplementary stipulation was entered into on March 14, 1935, by the attorneys of various interested parties, under which the Government is to receive $5,500,000.00 in cash on or before May 15, 1935, to apply on its judgment against the receivership estates of PAN AMERICAN PETROLEUM COMPANY and RICHFIELD OIL COMPANY OF CALIF.

P.

REFERENCE: Report of Special Agent F. C. Culberson, Los Angeles, dated February 28, 1935.

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JUL 31 1964

DETAILS: The hearings before the Special Master as to the division of income of the receivership estates of PAN AMERICAN PETROLEUM COMPANY and RICHFIELD OIL COMPANY OF CALIFORNIA, between mortgaged and unmortgaged interests, were not held on February 28, 1935, as scheduled, due to the fact that negotiations were under way at that time for a lump sum settlement of the Government's claim against the aforesaid receivership estates. These negotiations, which were conducted in Los Angeles on behalf of the Government by Special Assistants to the Attorney General, Atlee Pomerene and Frank Harrison, resulted in the execution on March 14,

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APPROVED AND FORWARDED: SPECIAL AGENT IN CHARGE

62-25711-82

RECORDED AND INDEXED: APR 15 1935

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3 Bureau
1 Spec. Assts. to the Attorney General, Pomerene & Harrison, Cleveland
1 Spec. Asst. U. S. Atty., John R. Layng
2 Los Angeles

UNITED STATES APR 15 1935 BUREAU OF INVESTIGATION

CHECKED OFF: APR 19 1935

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ROUTED TO: FILE

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1935, of a supplement to stipulation of January 17, 1933, as approved May 15, 1933, under which the Government is to receive $5,500,000.00 in cash on or before May 15, 1935, to apply against its judgment in cause No. B 115M in the United States District Court for the Southern District of California. A copy of this supplementary stipulation has been received by the Los Angeles Bureau office and is made a part of this file.

Under the original stipulation of January 17, 1933, the Government was to receive a minimum of $5,001,500.00, which amount was subject to various adjustments upward and no part of which amount was in lieu of the Government's right to share in the income of the properties of the receivership estates after the extension of the receivership to the mortgaged properties. Under the supplementary stipulation entered into on March 14, 1935, the Government is to receive a minimum of $5,500,000.00, plus a possible recovery of other amounts, as indicated in the following statement:

a. Cash to be paid on or before May 15, 1935	$5,500,000.00
b. Entire proceeds of any refunds to which Pan American may be adjudged entitled on account of Federal Income taxes heretofore paid (the sum of $191,214.28 has already been refunded)	______
c. Any monies recovered by the receiver of Pan American Petroleum Company in suit against Edward L. Doheny, less expenses of prosecuting said suit (limited to an amount which will bring the total amount received by the Government up to the amount due upon its judgment including interest thereon)	______
d. Amount which may be adjudged due to the Government on any claim which may arise out of the controversy with respect to the so-called "Greeley Lease" of Pan American situated in Section 36, Township 30 South, Range 23 East, M.D.B.&M., in Kern County, California, (limited to an amount which will bring the total amount received by the Government up to the amount due upon its judgment including interest thereon)	______

Under the aforesaid supplementary stipulation, the Government agrees upon receipt of $5,500,000.00 to make no further claim against the receivership estates, mortgaged or otherwise, in the hands of the receiver of PAN AMERICAN or RICHFIELD, nor any claim to any proceeds from the sale thereof, nor any claim to such assets in the hands of any purchaser thereof, on account of any claim of the Government that accrued prior to January 17, 1933 (the date of the original stipulation) or that is based on events or causes of action occuring or arising prior to January 17, 1933, or that is based on the judgment of the Government in the aforementioned cause No. B 115M.

In the event the Government is not paid $5,500,000.00 on or before May 15, 1935, no compromise and settlement and no adjudication or hearing in either the PAN AMERICAN receivership cases or the RICHFIELD receivership cases affecting the interest of the Government therein, made or occuring between March 9, 1935, and May 16, 1935, shall be binding upon the Government except at its option, and the Government is given the right upon the application therefor to have any adjudication or hearing on such matters reopened for the presentation of evidence and/or argument. It is further provided in the supplementary stipulation that, if the Government does not receive $5,500,000.00 as provided therein or, if the supplemental stipulation shall be terminated for any cause, the rights of all parties under the stipulation of January 17, 1933, shall be the same as if the supplemental stipulation had not been executed but subject to the rights of the Government, as aforesaid, to have reopened any adjudication or hearing occuring between March 9, 1935, and May 16, 1935.

From the foregoing it will be seen that the effect of the new stipulation is to reduce to an amount certain the uncertain amounts which the Government was to receive under the stipulation of January 17, 1933, and to eliminate any interest of the Government in income of the receivership property. It, therefore, appears that the accounting matters to be handled by the Bureau in connection with the case are greatly simplified, and that any further accounting work would be confined to determining the net amount due the Government from the proceeds of the suit against EDWARD L. DOHENY and arising from any claim which the Government may assert against receivership estates because of the controversy over the "Greeley Lease". In case the Government is not paid the $5,500,000.00, the question of division of income of the receivership property as between mortgaged and unmortgaged interests will again arise and will no doubt be set for hearings before the Special Master for arguments of the various parties at interest as to how such division should be made.

Parties at interest are required to file notice of any objection to the aforesaid supplementary stipulation not later than April 18, 1935, and hearings thereon are to be held April 24, 1935, in the United States District Court for the Southern District of California, at Los Angeles, California.

PENDING

62-25711-83

RECORDED

LRP:VVK

June 1, 1935.

Special Agent in Charge,
Los Angeles, California.

Re: PAN AMERICAN PETROLEUM CO., et al.
Fraud Against the Government.

Dear Sir:

Receipt is acknowledged of your letter dated May 23, 1935, requesting advice as to whether the above entitled case may be closed.

No further investigation is desired by your office and you may, therefore, consider the matter closed.

Very truly yours,

John Edgar Hoover,
Director.

Letter Los Angeles 6/7/35 LRP

EPK for JSE

Federal Bureau of Investigation
U. S. Department of Justice
P. O. Box 536
Los Angeles, California
May 23, 1935.

Director,
Federal Bureau of Investigation,
U. S. Department of Justice,
Pennsylvania Ave. at Ninth St., N.W.,
Washington, D. C.

Re: PAN AMERICAN PETROLEUM CO.; et al.
Fraud Against the Government.
L. A. File 46-59.

Dear Sir:-

This is to advise that under date of May 15, 1935, there was paid to the United States Government the sum of $5,500,000.00 by the Pan American Petroleum Company and the Richfield Oil Company, in payment of the Government's claim against said companies.

Will you please advise whether the Los Angeles file on this case may now be closed?

Very truly yours,

J. E. P. Dunn
J. E. P. DUNN,
Special Agent in Charge.

MBM:RS

statistics
Recovery $498,500

Note: A previous recovery was taken in Jan. 1933 (serial 43) in the amt of $5,001,500.

Letter Los Angeles 6/1/35

RECORDED

62-25711-83

FEDERAL BUREAU OF INVESTIGATION
MAY 27 1935 .M.
U. S. DEPARTMENT OF JUSTICE
FILE

THREE

JUN 4 1935

[redacted]
62-25711

June 7, 1935.

Special Agent in Charge,
Los Angeles, California.

RE: PAN AMERICAN PETROLEUM COMPANY, et al;
Fraud against the Government.

Dear Sir:

Reference is made to the report of Special Agent (A) F. C. Culberson, Los Angeles, California, dated April 10, 1935.

On page two of this report, it is indicated that part of the Government recovery will be the entire proceeds of any refunds to which Pan American may be adjudged entitled on account of Federal income taxes heretofore paid, and that the sum of $191,214.28 has already been refunded.

Information is desired concerning the above mentioned item, particularly as to whether this sum has been recovered by the Department in addition to the $5,300,000.00 paid on May 15, 1935.

Very truly yours,

John Edgar Hoover,
Director.

RECORDED 62-25711-84

JUN 8 1935

LRP:VVK
62-25711

June 26, 1936.

VIA AIR MAIL

Special Agent in Charge,
Los Angeles, California.

Re: PAN AMERICAN PETROLEUM COMPANY, et al;
Fraud Against the Government.

Dear Sir:

Reference is made to Bureau letter dated June 7, 1936, wherein you were requested to advise the Bureau concerning the apparent recovery of $121,214.28 in the above case.

It is desired that the requested information be furnished the Bureau without further delay.

Very truly yours,

John Edgar Hoover,
Director.

62-25711-85

LRP:DM
62-25711 - 86

July 12, 1935.

Special Agent in Charge,
Los Angeles, California.

RE: PAN AMERICAN PETROLEUM COMPANY,
et al; Fraud against the Government.

Dear Sir:

Reference is made to your letter dated July 5, 1935, in the above entitled case.

It is noted that there are yet three refunds to be secured from the Internal Revenue Bureau of the Treasury Department as a result of the investigation of this case. It is, therefore, desired that Mr. Howard W. Crotty, attorney for the receiver of the Pan American Petroleum Company, be contacted at intervals in order to ascertain when these recoveries will be deposited in the Treasury in satisfaction of the case against the Pan American Petroleum Company.

Very truly yours,

John Edgar Hoover,
Director.

U. S. Bureau of Investigation

Department of Justice

P. O. Box 536
Los Angeles, California
July 3, 1935

7/10/35. $191,214.28 recovery

JUL 10 1935 PM

Director
Federal Bureau of Investigation
U. S. Department of Justice
Pennsylvania Ave. at 9th St., N.W.
Washington, D. C.

Re: PAN AMERICAN PETROLEUM CO., et al
Fraud Against the Government
L. A. File 46-59

Dear Sir:

A reply to Bureau letter of June 7, 1935, which was followed up by letter of June 28th, was delayed due to the absence of the Receiver's Attorney, whom it was necessary to contact in order to obtain the desired information.

The amount of $191,214.28 stated in report of Special Agent (A) F. C. Culberson, Los Angeles, Calif., dated April 10, 1935, as having been refunded by the Government to the Pan American Petroleum Company, has actually been refunded although such refund did not involve the transfer of any cash.

MR. HOWARD D. CROTTY of the Firm of Gibson, Dunn & Crutcher, attorneys for the Receiver of the Pan American Petroleum Company, submitted to Special Agent F. C. Culberson of this office for his inspection a Notice of Settlement of Claim issued by the office of the Comptroller General of the United States under date of Nov. 6, 1933. This notice of settlement, which is addressed to the Pan American Petroleum Co., 1015 Security Building, Los Angeles, Calif., and which bears Certificate #0315727 and Claim #046488 (4), sets forth that the Comptroller General has certified that there is due from the United States the sum of $191,214.28 on account of over assessment of income taxes paid for the years 1919-1920-1925 and 1926, and that warrant in payment of such claim should be issued payable to the Treasurer of the United States for deposit to "Miscellaneous Receipts (2750) Recovery of Value of Oil in the case of the United States against Pan American Petroleum Company (Navy)" in partial satisfaction of balance due on judgment entered in the District Court of the United States, Southern District of California, Northern Division, #B-115-M, in equity on Jan. 14, 1933.

COPIES DESTROYED Letter Los Angeles 7/12/35 LRR JUL 15 1935 RECORDED

107 JUL 31 1964

7/10/35 Copy Blair

62-25711-86

FEDERAL BUREAU OF INVESTIGATION
JUL 9 1935 P.M.
U. S. DEPARTMENT OF JUSTICE

From the foregoing it will be seen that the refund was not received in cash by the Pan American Petroleum Co., but was transferred to the Treasury of the United States to be applied upon the Government's judgment in the afore cited case.

Specifically answering the question contained in the last paragraph of Bureau letter of June 27th, it is stated that the afore mentioned refund of $191,214.28 is in addition to the $5,500,000.00 paid on May 15, 1935.

In order to clear up any confusion which may exist as to the refund of income taxes to the Pan American Petroleum Co., Special Agent Culberson has examined the supplementary stipulation entered into on March 14, 1935, by the various interested parties, and has also discussed with Mr. Homer D. Crotty the question of refunds on income taxes. According to the information obtained, the Government is to receive all amounts refunded by the Treasury Department on income taxes paid by the Pan American Petroleum Co., which amounts are to be in addition to the $5,500,000.00 paid on May 15, 1935.

Mr. Crotty informed that in addition to the amount already refunded on income taxes, the Internal Revenue Bureau of the Treasury Department has approved Pan American's claim for a refund of $196,655.26, covering over assessment of income taxes for the years 1922 and 1924, $71,933.22 of this amount being for the year 1922 and $124,722.04 being for the year 1924. Mr. Crotty states that although the Revenue Bureau has approved this claim, there being no dispute as to the merits of the claim under the revenue laws, higher officials in the Treasury Department have refused to give their approval, which is necessary before settlement can be made.

It appears that the refusal of the higher officials in the Department to approve payment of this claim may be influenced by the fact that there is a claim of $935,502.19 made by the Pan American Petroleum & Transport Co., which has been similarly approved by the Internal Revenue Bureau for refund, from which refund if paid by the Treasury Department the Government would recover nothing in the way of offset. Of course, in the case of the claim for $196,655.26 any amount paid on this would be in the nature of a transfer to the United States Treasury Department to apply on the judgment against the Pan American Petroleum Co., whereas any amount paid on the claim of the Pan American Petroleum & Transport Co. would not be offset by the Treasurer of the United States.

The two companies involved are absolutely independent of each other so far as the stock ownership is concerned and Mr. Crotty appears to be at a loss to understand why the payment of the claim of the Pan American Petroleum Co., which would merely result in transfer of this amount from one department of the Government to another, should be influenced by the claim of a company which which the Pan American Petroleum Company has no connection.

Mr. Crotty further informs that the Pan American Petroleum Co. has claims pending before the Internal Revenue Bureau amounting to $400,000.00 to $500,000.00 about which there is disagreement as to the merits of the claims under the revenue laws. It is impossible to make any prediction as to the outcome of these claims.

In writing the foregoing I have tried not only to answer fully the questions contained in your letter of June 7th, but also to give an idea of what additional recovery may be expected through income tax refunds to the Pan American Petroleum Company.

Very truly yours,

J. E. P. Dunn
J.E.B.

J. E. P. DUNN
SPECIAL AGENT IN CHARGE

FCC:T

Federal Bureau of Investigation
U. S. Department of Justice
P. O. Box 536
Los Angeles, California
August 29, 1935

Director,
Federal Bureau of Investigation,
U. S. Department of Justice,
Pennsylvania Ave. at Ninth St., N. W.,
Washington, D. C.

Re: PAN AMERICAN PETROLEUM CO., ET AL.
Fraud Against the Government.
L. A. File 46-59.

Dear Sir:-

Reference is made to your letter of July 12, 1935, in the above entitled case.

As soon as Special Agent (A) M. B. Myerson returned to Los Angeles from the retraining school, he took up the matter of the income tax refund with Mr. Homer Crotty, attorney for the Receiver of Pan American and Richfield, who advised that while the Department of Justice was favorable towards an offer of compromise, the Treasury Department was not, due to the substantial amount involved. Mr. Crotty promised to, and did, furnish a schedule showing the status of Income and Excess Profits Tax, a copy of which is enclosed for the Bureau file.

In accordance with your instructions, Mr. Crotty will be contacted at intervals and the Bureau will be advised as recoveries are made.

Very truly yours,

J. E. P. Dunn

J. E. P. DUNN,
Special Agent in Charge.

MBM:RS
Encl.

RECORDED 62-25711-87
FEDERAL BUREAU OF INVESTIGATION
AUG 31 1935 .M.
U. S. DEPARTMENT OF JUSTICE
THREE FILE

SEP 3 1935

NY

ND EXCESS PROFITS TAXES
EARS INCLUSIVE

INTEREST ALLOWED OR COMPUTED TO SEPT.15,1935 ON BUREAU REFUND	TOTAL REFUND AND INTEREST BASED ON BUREAU'S COMPUTATION	INTEREST DUE ON REFUND AS COMPUTED BY COMPANY	TOTAL REFUND AND INTEREST AS COMPUTED BY COMPANY	ADDITIONAL REFUND AND INTEREST AS COMPUTED BY COMPANY
$	$ 60,254.07	$	$ 60,254.07	$
	8,043.70		8,043.70	
19,516.25	53,593.06	19,516.25	53,593.06	
27,074.73	65,309.22	27,074.73	65,309.22	
6,849.94	17,749.06	6,849.94	17,749.06	
53,950.07	125,883.50	120,592.11	281,381.59	155,498.09
1,066.95	2,613.25	4,176.91	10,806.93	13,420.16
78,574.89	203,296.93	133,307.07	344,905.60	141,608.67
9,130.03	31,509.82	124,436.36	342,745.77	311,235.95
18,031.26	66,594.94	18,031.26	66,594.94	
$198,560.34	$457,527.39	$440,284.75	$1,079,290.28	$621,762.69

ansfer from the Overassessment for the year 1919,

ansfer from the Overassessment for the year 1919,

udgment which the U. S. Government secured against

these years, 1922 and 1924, although refunds set
as far as we know.

PAN AMERICAN PETROLEUM COMPA

LOS ANGELES, CALIFORNIA

EXHIBIT A - SHOWING STATUS OF FEDERAL INCOME A
OF ABOVE COMPANY FOR YEARS 1917 TO 1926 BOTH Y

YEAR	TAX PAID OR ORIGINALLY ALLOCATED TO COMPANY BY BUREAU	FEDERAL TAX AS NOW COMPUTED BY BUREAU	ADDITIONAL TAX OR REFUND DUE PER BUREAU	FINAL TAX AS NOW COMPUTED BY BUREAU	ADDITIONAL TAX OR REFUND DUE AS COMPUTED BY COMPANY
(a) 1917	$ 1,400.00	$ 61,654.07	$ 60,254.07	$ 61,654.07	$ 60,254.07
(b) 1918		8,043.70	8,043.70	8,043.70	8,043.70
(d) 1919	34,076.81		34,076.81		34,076.81
(d) 1920	77,460.11	39,225.62	38,234.49	39,225.62	38,234.49
(c) 1921	65,777.11	76,676.23	10,899.12	76,676.23	10,899.12
(e) 1922	160,789.48	88,856.05	71,933.43		160,789.48
1923	6,630.02	8,176.32	1,546.30		6,630.02
(c) 1924	344,676.17	219,954.13	124,722.04	133,077.64	211,598.53
(d) 1925	416,654.20	394,274.41	22,379.79	198,344.79	218,309.41
(d) 1926	48,563.68		48,563.68		48,563.68
	$1,156,027.58	$896,860.53	$259,167.05	$517,022.05	$639,005.53

(a) Additional tax for the year 1917 has been assessed and paid.
(b) " " " " " 1918 has been paid, or satisfied, by a Credit Tr
as shown by C. of O. Sch. #43477.
(c) Additional tax for the year 1921 has been paid, or satisfied, by a Credit Tr
and interest thereon, as shown by C. of O. Sch. #43477.
(d) Refund and Interest thereon for these years have been credited against the
the company in connection with the Elk Hills Leases, viz:

Year	Amount of Refund and Interest	Less Amounts credited against additional taxes	Balance
1919	$ 53,593.06	$25,792.76	$ 27,800.30
1920	65,309.22		65,309.22
1925	31,509.82		31,509.82
1926	66,594.94		66,594.94
TOTALS	$217,007.04	$25,792.76	$191,214.28

(e) Certificates of Overassessment have not yet been issued covering refunds fo
out in the third column are in accordance with Bureau's final computatio

LRP:VVK

RECORDED

May 18, 1936.

62-25711-88

Special Agent in Charge,
Los Angeles, California.

Re: PAN AMERICAN PETROLEUM COMPANY, et al;
FRAUD AGAINST THE GOVERNMENT.

Dear Sir:

There are enclosed herewith, copies of a memorandum dated April 30, 1936, from Frank Chambers, Acting Head, Public Lands Division.

It is desired that Special Agent (A) M. B. Myerson, who has previously been in charge of the investigation of this case, contact Mr. L. R. Martineau, Jr., Special Assistant to the Attorney General at Los Angeles and thereafter institute the necessary investigation desired by the Department.

COMMUNICATIONS SECTION
MAILED
MAY 19 1936
P. M.
FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE

Very truly yours,

John Edgar Hoover,
Director.

Inclosure No. 114220.

25711

ADDRESS REPLY TO "THE ATTORNEY GENERAL" AND REFER TO INITIALS AND NUMBER

HWB OEC

227364-4

DEPARTMENT OF JUSTICE

WASHINGTON, D.C. CEC:hc

April 30, 1936.

Mr. Nathan
Mr. Tolson
Mr. Baughman
Chief Clerk
Mr. Clegg
Mr. Coffey
Mr. Edwards
Mr. Egan
Mr. Foxworth
Mr. Harbo
Mr. Joseph
Mr. Keith
Mr. Lester
Mr. Quinn
Mr. Schilder
Mr. Tracy
Mrs. Gandy

Pan American Petroleum Co et al Fraud Against the Govt.

MEMORANDUM FOR MR. HOOVER, DIRECTOR,
Bureau of Investigation.

The Government now has an action pending against the estate of E. L. Doheny, deceased, in which there is involved the right of the Government to recover from this estate a sum in excess of $5,000,000. Mr. L. R. Martineau, Jr., Special Assistant to the Attorney General, who is in charge of this case, recommends that a thorough investigation be made by the Department of Justice to ascertain what assets comprise the estate of the decedent.

Information has reached me indirectly that Mr. Doheny disposed of part of his property before his death for the purpose of preventing the collection of any sums that might be found due and owing to the Government.

I concur in the recommendation of Mr. Martineau and I would appreciate it if you would cause some member or members of your Division to proceed to Los Angeles and there investigate the facts relative to the disposal of the property of Mr. Doheny and also determine what assets are now available in the estate which could be appropriated to the payment of any judgment the Government may obtain against the Doheny estate. Should you appoint any men for the purpose I believe it would be wise if they would keep in touch with Mr. Martineau, who, I am sure, can render them valuable assistance both as to the law and the facts involved in this matter.

RECORDED

Respectfully,

Frank Chambers

Frank Chambers,
Acting Head, Public Lands Division.

62-25711-88

FEDERAL BUREAU OF INVESTIGATION
MAY 21 1936 P.M.
U. S. DEPARTMENT OF JUSTICE

MAY 27 1936

NATHAN TAMM THREE TWO FILE

Let. Los Ang 5/18/36 LRP

LRP:DM

62-26711 -89

June 1, 1936.

RECORDED

MEMORANDUM FOR ASSISTANT ATTORNEY GENERAL HARRY W. BLAIR

Re: Pan American Petroleum Company, et al; Fraud against the Government.

With reference to your memorandum dated May 20, 1936, requesting that an Agent of this Bureau contact Special Assistant to the Attorney General L. R. Martineau, Los Angeles, California, you are advised that the investigation previously requested by you in this case was referred to the Los Angeles, California office of this Bureau on May 18, 1936.

Very truly yours,

John Edgar Hoover,
Director.

Mr. Nathan
Mr. Tolson
Mr. Baughman
Chief Clerk
Mr. Clegg
Mr. Coffey
Mr. Edwards
Mr. Egan
Mr. Foxworth
Mr. Harbo
Mr. Joseph
Mr. Keith
Mr. Lester
Mr. Quinn
Mr. Schilder
Mr. Tamm
Mr. Tracy
Miss Gandy

COMMUNICATIONS SECTION
MAILED
JUN 1 1936
P. M.
FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE

HARRY W. BLAIR
Assistant Attorney General

Department of Justice
Washington

Mr. Nathan
Mr. Tolson
Mr. Baughman
Chief Clerk
Mr. Clegg
Mr. Coffey
Mr. Edwards
Mr. Egan
Mr. Foxworth
Mr. Harbo
Mr. Joseph
Mr. Keith
Mr. Lester
Mr. Quinn
Mr. Schilder
Mr. Tamm
Mr. Tracy
Miss Gandy

May 26, 1936.

MEMORANDUM FOR MR. HOOVER.

The Government has filed a claim for something more than $4,000,000 against the Estate of Edward L. Doheny at Los Angeles. The Special Assistant to the Attorney General, L. R. Martineau, whose office is at 444 Roosevelt Building, Los Angeles, advises that the question of whether or not all of the property that should be listed as assets of the Estate is being or will be listed, is giving him considerable concern and suggests that representatives of your Division in Los Angeles be requested to investigate this situation with a view to the protection of the interests of the United States.

I therefore request that you direct your office in Los Angeles to get in contact with Mr. Martineau and with the United States Attorney, with a view to making this investigation.

Respectfully,

Harry W. Blair,
Assistant Attorney General.

RECORDED & INDEXED
JUN 4 1936

62-25711 - 89
FEDERAL BUREAU OF INVESTIGATION
JUN 2 1936 P. M.
U. S. DEPARTMENT OF JUSTICE
TAMM THREE
FILE

RECORDED

LRP:VVK

62-25711-90

June 10, 1936.

[redacted]

Special Agent in Charge,
Los Angeles, California.

Re: PAN AMERICAN PETROLEUM COMPANY, et al;
Fraud Against the Government.

Dear Sir:

There is enclosed herewith a copy of a memorandum dated June 9, 1936, from Assistant Attorney General Robert H. Jackson which memorandum is self-explanatory.

It is desired that upon the arrival of a duly accredited representative of the Bureau of Internal Revenue, Agent Myerson furnish the necessary information from his previously prepared work papers relative to the income received by years, from leases E, G, and I of the Naval Petroleum Reserves.

Very truly yours,

John Edgar Hoover,
Director.

Inclosure No. 1142515.

Mr. Nathan
Mr. Tolson
Mr. Baughman
Chief Clerk
Mr. Clegg
Mr. Coffey
Mr. Edwards
Mr. Egan
Mr. Foxworth
Mr. Harbo
Mr. Joseph
Mr. Keith
Mr. Lester
Mr. Quinn
Mr. Schilder
Mr. Tamm
Mr. Tracy
Miss Gandy

JUN 11 1936
F. B. I.
U. S. DEPARTMENT OF JUSTICE

LRP:VVK
62-25711

62-25711-90

June 10, 1936.

RECORDED & INDEXED

MEMORANDUM FOR ASSISTANT ATTORNEY GENERAL ROBERT H. JACKSON

Attention: Mr. Cosgrove

In compliance with your request of June 9, 1936, there is attached hereto a copy of the accounting report of Special Agent M. B. Myerson, Los Angeles, California, dated January 20, 1933, in the case entitled Pan American Petroleum Company, et al; Fraud Against the Government. There is also attached hereto, a copy of a letter from the Bureau, dated February 28, 1933, addressed to Mr. Frank Harrison, relative to computations of the Government's claim in the aforementioned case.

Relative to a representative of the Bureau of Internal Revenue conferring with Special Agent M. B. Myerson in Los Angeles not later than July 1, 1936, you are advised that Agent Myerson is presently away from the Los Angeles district on a special assignment. It is anticipated, however, that he will return about July 1, 1936, and he will be instructed to confer with representatives of the Bureau of Internal Revenue relative to the schedules previously prepared by the Bureau concerning the income from leases E, G and I of the Naval Petroleum Reserves.

Very truly yours,

John Edgar Hoover,
Director.

Inclosure No. 1142514.

Mr. Nathan
Mr. Tolson
Mr. Baughman
Chief Clerk
Mr. Clegg
Mr. Coffey
Mr. Edwards
Mr. Egan
Mr. Foxworth
Mr. Harbo
Mr. Joseph
Mr. Keith
Mr. Lester
Mr. Quinn
Mr. Schilder
Mr. Tamm
Mr. Tracy
Miss Gandy

COMMUNICATIONS SECTION
MAILED
JUN 11 1936

ADDRESS REPLY TO "THE ATTORNEY GENERAL" AND REFER TO INITIALS AND NUMBER

Court of Claims Nos. 42552 and 43161.

DEPARTMENT OF JUSTICE JAC/ao

WASHINGTON, D.C.

June 9, 1936.

MEMORANDUM FOR HONORABLE J. EDGAR HOOVER, DIRECTOR, FEDERAL BUREAU OF INVESTIGATION:

In re: WILLIAM C. McDUFFIE, RECEIVER OF PAN AMERICAN PETROLEUM COMPANY,
v.
THE UNITED STATES.
(Court of Claims Nos. 42552 and 43161.)

Please furnish this office for use in connection with the trial of the above entitled cases one copy each of the agent's reports in the case of United States v. Pan American Petroleum Company, dated January 20, 1933, by Agent M. B. Meyerson, and February 28, 1933, by Mr. L. R. Pennington, relative to the proceeds from the voided leases between the Secretary of the Interior and Mr. Doheny of Los Angeles.

We are advised by Mr. Pennington that the working papers from which these reports were prepared are in the Los Angeles office of the Bureau and that Mr. Meyerson is now assigned to and working out of that office. We anticipate having a representative of the Bureau of Internal Revenue proceed to Los Angeles in advance of the trial and prepare a schedule of the income from the several leases by years and would appreciate your arranging for Mr. Meyerson's presence in Los Angeles to confer with this representative not later than July 1, 1936. It is quite possible that the Bureau Agent may feel that he needs more time for this assignment and will proceed to Los Angeles before July 1st. In such event we would advise you in due time and at the same time advise you as to the name of the agent to whom this duty is assigned by the Commissioner of Internal Revenue.

RECORDED & INDEXED

62-25711-90

Respectfully,

Robert H. Jackson

ROBERT H. JACKSON,
Assistant Attorney General.

FEDERAL BUREAU OF INVESTIGATION
JUN 12 1936 P. M.
U. S. DEPARTMENT OF JUSTICE

THREE | FILE

memo-Jackson
letter-Lo ang
6/10/36 LRP

JUN 20 1936

Federal Bureau of Investigation

U. S. Department of Justice

Los Angeles, California
June 19, 1936

JUN 23 1936

Director
Federal Bureau of Investigation
Washington, D. C.

Dear Sir:

Re: PAN AMERICAN PETROLEUM COMPANY, ET AL;
Fraud Against the Government
L. A. File 46-59

Reference is made to your letter of May 18, 1936, enclosing a copy of a memorandum dated April 30, 1936, from Mr. Frank Chambers, Acting Head, Public Lands Division, and in which letter you instruct that Special Agent (A) M. B. Myerson contact Mr. L. R. Martineau, Jr., Special Assistant to the Attorney General, for the purpose of instituting the investigation that has been requested by the Department.

This is to advise that at the time of the receipt of your letter of reference, Special Agent Myerson was engaged in a court trial, and since that time, telegraphic instructions were received from the Bureau to have Agent Myerson proceed to San Francisco to aid in the examination of the Judicial Offices there. However, on June 8th, Special Agent Myerson had an opportunity to talk to Mr. Martineau, and at that time he informed the latter that he would not be able to handle this case at once, which was agreeable to Mr. Martineau.

For your further information, on June 16, 1936, I contacted Mr. Martineau by telephone and explained to him that Special Agent Myerson would be gone for approximately ten days more. Mr. Martineau stated that he did not believe that it was imperative that Agent Myerson handle this matter at once. He mentioned that notice had already been served on the Executors of the Doheney Estate concerning the Government's claim.

I informed Mr. Martineau that if Agent Myerson did not return to Los Angeles within the time contemplated, that I would exert efforts to have another Special Agent (A) assigned to this matter, which was agreeable with Mr. Martineau.

Very truly yours,

62-25711-91

RECORDED & ~~INDEXED~~

J. H. HANSON,
Special Agent in Charge

JHH:AB

FEDERAL BUREAU OF INVESTIGATION
JUN 22 1936 A. M.
U. S. DEPARTMENT OF JUSTICE
FILE

JUL 7 1936

RECORDED

62-25711-91X

LRP:VVK

July 3, 1936.

VIA AIR MAIL

62-25711

Special Agent in Charge,
Los Angeles, California.

78

Re: PAN AMERICAN PETROLEUM COMPANY, et al;
Fraud Against the Government.

Dear Sir:

There are enclosed herewith copies of a memorandum dated June 18, 1936, from Assistant Attorney General Robert H. Jackson. It is desired that Special Agent (A) M. B. Myerson be assigned to confer with Messrs. W.se and Dils and assist in securing the information they desire.

Very truly yours,

John Edgar Hoover,
Director.

Inclosure No. 1142339.

COMMUNICATIONS SECTION
MAILED
JUL - 3 1936
P. M.
FEDERAL BUREAU OF INVESTIGATION,
U. S. DEPARTMENT OF JUSTICE

UNRECORDED COPY FILED IN 63-189-

ADDRESS REPLY TO
"THE ATTORNEY GENERAL"
AND REFER TO
INITIALS AND NUMBER

F.K.D.

Court of Claims
Nos. 42552, 43161.

DEPARTMENT OF JUSTICE

WASHINGTON, D.C.

FKD:MSJ

June 18, 1936.

MEMORANDUM TO J. EDGAR HOOVER, DIRECTOR,
FEDERAL BUREAU OF INVESTIGATION

In re William C. McDuffie, Receiver of Pan American Petroleum Co. v. United States, Court of Claims Nos. 42552 and 43161.

Referring to my memorandum in relation to the above-entitled cases, dated June 9, 1936 and your reply thereto dated June 10, 1936, you are advised that two representatives of the Internal Revenue Bureau are proceeding to Los Angeles and will arrive there either July 1 or 2. They are: Alton E. Wise, Auditor, Bureau of Internal Revenue, and T. A. Dils of the Office of the General Counsel, Appeals Division, Bureau of Internal Revenue.

It is possible that one of these men may precede the other, and it is therefore requested that Special Agent Myerson furnish either one of them with the information and records available. It is also requested that in the possible event that Mr. Myerson fails to return to Los Angeles before the arrival of the Bureau representatives, someone else in the Los Angeles office of the Bureau be authorized to act instead of Mr. Myerson in the way of submitting records for examination.

Respectfully,

Robert H. Jackson

ROBERT H. JACKSON
Assistant Attorney General.

RECORDED
&
~~INDEXED~~

62-25711-91X
FEDERAL BUREAU OF INVESTIGATION
JUN 19 1936

UNRECORDED COPY FILED IN 63-189-

JUL 9 1936

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Let - Los Ang
7/13/36

ADDRESS REPLY TO "THE ATTORNEY GENERAL" AND REFER TO INITIALS AND NUMBER

Court of Claims Nos. 42552 and 43161.

DEPARTMENT OF JUSTICE JAC/ao

WASHINGTON, D.C.

June 12, 1936.

Mr. Nathan
Mr. Tolson
Mr. Baughman
Chief Clerk
Mr. Clegg
Mr. Coffey
Mr. Edwards
Mr. Egan
Mr. Foxworth
Mr. Harbo
Mr. Joseph
Mr. Keith
Mr. Lester
Mr. Quinn
Mr. Schilder
Mr. Tamm
Mr. Tracy
Miss Gandy

78

MEMORANDUM FOR HONORABLE J. EDGAR HOOVER, DIRECTOR, FEDERAL BUREAU OF INVESTIGATION:

In re: WILLIAM C. McDUFFIE, RECEIVER OF PAN AMERICAN PETROLEUM COMPANY,
v.
THE UNITED STATES.
(Court of Claims Nos. 42552 and 43161.)

We wish to acknowledge with thanks receipt of your memorandum of June 10, 1936, in the above entitled cases, together with the enclosures therein mentioned.

Respectfully,
Robert H Jackson
ROBERT H. JACKSON,
Assistant Attorney General.

RECORDED

JUN 24 1936

62-25711-92

FEDERAL BUREAU OF INVESTIGATION
JUN 15 1936 P.M.
U.S. DEPARTMENT OF JUSTICE

TAMM THREE

O-9

Federal Bureau of Investigation

U. S. Department of Justice

P. O. Box 536
Los Angeles, California
June 30, 1936

Director
Federal Bureau of Investigation
Washington, D. C.

Re: PAN AMERICAN PETROLEUM CO., et al;
FRAUD AGAINST THE GOVERNMENT.
L. A. File #46-59.

Dear Sir:

Receipt is acknowledged of your letter of June 10, 1936 (62-25711), enclosing copy of a memorandum dated June 9, 1936, from Assistant Attorney General Robert H. Jackson.

Special Agent (A) M. B. Myerson advises me that his work papers are available and upon arrival of a duly accredited representative of the Bureau of Internal Revenue, he will furnish the necessary information from his previously prepared work papers relative to the income received by years, from leases E., G., and I. of the Naval Petroleum Reserves.

Very truly yours,

J. H. HANSON
Special Agent in Charge

MBM:GBG

RECORDED

JUL 3 1936

62-25711-93

FILE

LRP:VVK July 14, 1936.

62-25711 - 94

MEMORANDUM FOR ASSISTANT ATTORNEY GENERAL ROBERT H. JACKSON

Re: William C. McDuffie, Receiver
of Pan American Petroleum Co.
v. United States, Court of
Claims Nos 42562 and 43161.

With reference to your memoranda dated June 9th and 18th, 1936, there is attached hereto a copy of a letter dated July 9, 1936, from the Los Angeles, California office of this Bureau.

It is desired that you immediately communicate with the Commissioner of Internal Revenue, Washington, D. C., and request that authorization be granted the Los Angeles office of this Bureau to review the files pertaining to the Petroleum Securities Company, E. L. Doheny, Jr., and E. L. Doheny, Sr., for the period from 1928 to date.

Very truly yours,

John Edgar Hoover,
Director.

Inclosure No. 1127756.

Mr. Nathan
Mr. Tolson
Mr. Baughman
Mr. Clegg
Mr. Coffey
Mr. Dawsey
Mr. Edwards
Mr. Egan
Mr. Foxworth
Mr. Glavin
Mr. Harbo
Mr. Joseph
Mr. Lester
Mr. Nichols
Mr. Quinn
Mr. Schilder
Mr. Tamm
Mr. Tracy
Miss Gandy

COMMUNICATIONS SECTION
JUL 15 1936
P. M.
FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE

Federal Bureau of Investigation

U. S. Department of Justice

Los Angeles, California
July 9, 1936

Director
Federal Bureau of Investigation
Washington, D. C.

Dear Sir:

Re: PAN AMERICAN PETROLEUM CO., ET AL
Fraud Against the Government
L. A. File 46-59

Pursuant to your letter of May 18, 1936, and in accordance with my letter of June 19, 1936, relative to the above matter, I beg to advise that upon the return to Los Angeles of Special Agent (A) M. B. Myerson on June 24th, he immediately contacted Mr. L. R. Martineau, Jr., Special Assistant to the Attorney General, and conferred with him regarding the nature of the investigation desired by the Department.

Agent Myerson informs me that during the course of his investigation, he has interviewed Mr. Sam Sewell, Chief Estate Tax Officer in the Internal Revenue Department office at Los Angeles. The purpose of his interview of Mr. Sewell was to obtain, if possible, income and estate tax data concerning the affairs of E. L. Doheny, Jr., E. L. Doheny, Sr., and the Petroleum Securities Company, a company whose stock is almost entirely owned by the Doheny family. Mr. Sewell advised Agent Myerson, however, that, although such information is available in Los Angeles, he was unable to furnish same without approval of the Commissioner of Internal Revenue, Washington, D. C.

It will, therefore, be appreciated if the Bureau will communicate with the Commissioner of Internal Revenue, Washington, D. C., and ask that he authorize his Los Angeles office to make available to Special Agent Myerson, or any other Agent of the Los Angeles office working on this case, the files pertaining to the Petroleum Securities Company, E. L. Doheny, Jr., and E. L. Doheny, Sr., for the period from 1928 to date.

For the information of the Bureau, it may be stated that Mr. Martineau's request for investigation herein is based upon the fact that sometime prior to his death, E. L. Doheny, Sr., was known to have numerous ranches and parcels of city property which may or may not be among the assets of his estate at this time. Mr. Martineau is anxious to know what assets are now in the estate, what assets have been disposed of in recent years, the considerations therefor, and in whom title now reposes. It is believed by Agent Myerson that this information, to a large extent, can be determined from the files mentioned in the office of the Internal Revenue Department at Los Angeles.

RECORDED
62-25711-94

Very truly yours,

INDEXED

J. H. Hanson

J. H. HANSON
Special Agent in Charge

MBM:AB

JUL 17 1936

JUL 13 1936

Mem- Jackson 7/14/36

62-25711-95

FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE

LRP:VVK
July 28, 1936.

To: COMMUNICATIONS SECTION.

Transmit the following message to: LOS ANGELES, CALIFORNIA.

PAN AMERICAN PETROLEUM COMPANY FAG INSTRUCT SAA MYERSON ACQUAINT SAA ROCHE WITH DETAILS INVESTIGATION PRIOR TO MYERSONS DEPARTURE SANFRANCISCO

HOOVER

Mr. Nathan
Mr. Tolson
Mr. Baughman
Mr. Clegg
Mr. Coffey
Mr. Dawsey
Mr. Edwards
Mr. Egan
Mr. Foxworth
Mr. Glavin
Mr. Harbo
Mr. Joseph
Mr. Lester
Mr. Nichols
Mr. Quinn
Mr. Schilder
Mr. Tamm
Mr. Tracy
Miss Gandy

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SENT VIA POSTAL 2:18 M Per

Federal Bureau of Investigation
U. S. Department of Justice
P. O. Box 536
Los Angeles, California
July 24, 1936

Director
Federal Bureau of Investigation
Washington, D. C.

Re: PAN AMERICAN PETROLEUM COMPANY, et al
Fraud Against the Government
L. A. File #46-59

Dear Sir:

Reference is made to letter of this office to the Bureau under date of July 9, 1936, asking that the Bureau obtain authority from the Commissioner of Internal Revenue for an Agent of this office to examine the Internal Revenue files concerning E. L. Doheny, Sr., E. L. Doheny, Jr., and the Petroleum Securities Company. In accordance with Bureau instructions, contained in its letter to this office dated July 3, 1936, Special Agent (A) M. B. Myerson of this office was assigned to the case, and investigation thereof is being held in abeyance pending receipt of the aforementioned authority.

I am just in receipt of Bureau telegram dated today, in which Agent Myerson is instructed to proceed to San Francisco, there to take up investigation of the case titled United States Vs. Standard Oil Company of California, et al; Recovery of Oil Lands, Los Angeles File #62-645.

Unless otherwise instructed, it is contemplated that Agent Myerson will leave Los Angeles for San Francisco on or about July 29th.

Very truly yours,

J. H. Hanson
J. H. HANSON
Special Agent in Charge

MBM/EL

AIR MAIL - SPECIAL DELIVERY

wire 7/28/36 Los Ang

RECORDED

JUL 31 1936

62-25711-95

FEDERAL BUREAU OF INVESTIGATION
JUL 27 1936 A. M.
U. S. DEPARTMENT OF JUSTICE
FILE

THREE TWO

UNRECORDED COPY FILED IN 63-189

Federal Bureau of Investigation
U. S. Department of Justice
P. O. Box 536
Los Angeles, California
July 24, 1936

Director
Federal Bureau of Investigation
Washington, D. C.

Re: PAN AMERICAN PETROLEUM CO., et al
Fraud Against the Government
L. A. File #46-59

Dear Sir:

Pursuant to your instructions, I beg to advise that there have arrived in Los Angeles the following individuals:

TUNIS A. DILS, Attorney, Assistant General Counsel's office;
ALTON E. WISE, Auditor, Bureau of Internal Revenue;
JAMES COSGROVE, Attorney, Department of Justice, Washington, D.C.
HENRY A. COX, Special Attorney, Assistant General Counsel's office
C. L. LAVENDER, Attorney, Review Division, Assistant General Counsel's Office.

Messrs. Dils and Wise presented themselves at this office and, upon proof that they were duly accredited representatives of the Treasury Department, Special Agent (A) M. B. Myerson delivered to them all of the work papers in the above case.

These men have now completed their work in Los Angeles, have returned our work papers, and are returning to their headquarters.

Very truly yours,

J. H. HANSON
Special Agent in Charge

MBM/EL

RECORDED & INDEXED

62-25711-96
FEDERAL BUREAU OF INVESTIGATION
JUL 28 1936 A.M.
U. S. DEPARTMENT OF JUSTICE
FILE

JUL 30 1936

LRP:DM August 17, 1936.

62-25711

MEMORANDUM FOR ASSISTANT ATTORNEY GENERAL ROBERT H. JACKSON

Re: William C. McDuffie, Receiver of Pan American Petroleum Co. v. United States, Court of Claims Nos. 42552 and 43161.

With reference to Bureau memorandum dated July 14, 1936, information is desired as to whether the Commissioner of Internal Revenue, Washington, D. C., has authorized the Los Angeles office of this Bureau to review the files pertaining to the Petroleum Securities Company, E. L. Doheny, Jr., and E. L. Doheny, Sr., for the period from 1928 to date.

Very truly yours,

John Edgar Hoover,
Director.

RECORDED 62-25711-97
&
INDEXED

LFP:DM
62-25711

August 21, 1936.

MEMORANDUM FOR ASSISTANT ATTORNEY GENERAL HARRY W. BLAIR

With reference to the investigation requested by you on May 26, 1936, relative to the claim of more than $4,000,000.00 against the estate of Edward L. Doheny at Los Angeles, it will be appreciated if you will immediately communicate with the Commissioner of Internal Revenue, Washington, D. C., and request that authorization be granted the Los Angeles office of this Bureau to review the files pertaining to the Petroleum Securities Company, E. L. Doheny, Jr., and E. L. Doheny, Sr., for the period from 1928 to date.

Very truly yours,

RECORDED & INDEXED

John Edgar Hoover, 62-25711-98
Director.

LRP:VVK

September 1, 1936.

RECORDED 62-25711 - 99

Special Agent in Charge,
Los Angeles, California.

Re: PAN AMERICAN PETROLEUM CO., et al;
Fraud Against the Government.

Dear Sir:

With reference to your letter dated July 9, 1936, an informal memorandum has been received from Assistant Attorney General Harry W. Blair, advising that the necessary authorization has been granted the Bureau to review the files pertaining to the Petroleum Securities Company, E. L. Doheny, Jr., and E. L. Doheny, Sr., from the period from 1928 to date.

Very truly yours,

John Edgar Hoover,
Director.

COMMUNICATIONS SECTION
MAILED
SEP 1 - 1936
P. M.

Mr. Nathan
Mr. Tolson
Mr. Baughman
Mr. Clegg
Mr. Coffey
Mr. Dawsey
Mr. Edwards
Mr. Egan
Mr. Foxworth
Mr. Glavin
Mr. Harbo
Mr. Joseph
Mr. Lester
Mr. Nichols
Mr. Quinn
Mr. Schilder
Mr. Tamm
Mr. Tracy
Miss Gandy
Pennington

From
ASSISTANT ATTORNEY GENERAL BLAIR
To
THE OFFICIAL INDICATED BELOW

Attorney General	
Solicitor General	
Assistant to the Attorney General	
Assistant Attorney General Dickinson	
Assistant Attorney General Jackson	
Assistant Attorney General McMahon	
Assistant Attorney General Morris	
Assistant Solicitor General Bell	
Mr. Collins	
Administrative Assistant	
Mr. Hoover, Dir., Fed.Bu. Investigation	✓
Mr. Bates, Dir., Bureau of Prisons	
Mr. McClure, General Agent	
Mr. Donaldson, Chief Clerk	
Mr. Sornborger, Appointment Clerk	
Mr. Holland, Supply Division	
Division of Accounts	
Mr. Denton	
Mr. Bowie	
Mrs. Quillin	

MEMORANDUM

Permission has been given. Pls note attached file

HCB

Mr. Nathan
Mr. Tolson
Mr. Baughman
Mr. Clegg
Mr. Coffey
Mr. Dawsey
Mr. Egan
Mr. Foxworth ✓
Mr. Glavin
Mr. Harbo
Mr. Joseph
Mr. Lester
Mr. Nichols
Mr. Quinn
Mr. Schilder
Mr. Tamm
Mr. Tracy
Miss Gandy

Let Los Angeles a/13 C

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SEP 5 1936
RECORDED

62-25711-99

FEDERAL BUREAU OF INVESTIGATION
SEP 3 1936 A.M.
U.S. DEPARTMENT OF JUSTICE

TAMM
FOXWORTH

this refers to memo to Blair 8/21/36

FEDERAL BUREAU OF INVESTIGATION

Form No. 1 THIS CASE ORIGINATED AT	LOS ANGELES, CALIFORNIA		L.A. FILE NO. 46-59 GMH
REPORT MADE AT LOS ANGELES, CALIF.	DATE WHEN MADE 9/23/36	PERIOD FOR WHICH MADE 9/15,17 to 22/36	REPORT MADE BY J. H. ROCHE
TITLE PAN AMERICAN PETROLEUM COMPANY, et al			CHARACTER OF CASE FRAUD AGAINST THE GOVERNMENT

SYNOPSIS OF FACTS:

Edward L. Doheny died at Los Angeles on September 8, 1935. United States of America has filed claim against estate in the amount of $5,188,721.77 and also claim for $80,069.00. No inventory of estate filed with Probate Court, but inventory and appraisement in office of State Inheritance Tax Department, State of California, Los Angeles, appraises estate at $9,048,563.46, consisting of cash of $60,212.94, real property of $147,870.00, steam yacht of $50,000.00, stocks of $8,751,881.41, beneficial interests in trusts of $2,070.00, unsecured promissory notes of $17,244.11, unsecured gold notes of $2,500.00, and other assets of $805.00. Principal asset of estate is 166,573 shares of Petroleum Securities Company, owned in its entirety by the Doheny family, which stock was appraised at $8,714,416.41. Details in report.

- P -

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APPROVED AND FORWARDED: [signature] SPECIAL AGENT IN CHARGE

DO NOT WRITE IN THESE SPACES

62-25011-100

SEP 30 1936

OCT 15 1936

COPIES OF THIS REPORT

4 - Bureau
1 - Los Angeles - File 46-59
1 - Los Angeles - File 62-645

DE-INDEXED
DATE:
29

U.S. GOVERNMENT PRINTING OFFICE 7-2034

DETAILS: The investigation covered by this report was made in accordance with instructions in letter from the Bureau dated May 18, 1936, and predicated upon copies of a memorandum to the Director dated April 30, 1936, from Frank Chambers, Acting Head, Public Lands Division.

In his memorandum, Mr. Chambers advised that the Government now has an action pending against the estate of E. L. Doheny, deceased, in which there is involved the right of the Government to recover from this estate a sum in excess of $5,000,000.00. Investigation was requested to determine what assets are now available in the estate which could be appropriated to the payment of any judgment the Government may obtain against the Doheny estate, as well as to determine the facts relative to the disposal by Mr. Doheny of property before his death for the purpose of preventing the collection of any sums that might be found due and owing to the Government.

Mr. L. R. Martineau, Jr., Special Assistant to the Attorney General, Roosevelt Building, Los Angeles, was interviewed by Special Agent (A) M. B. Myerson, and advised Agent Myerson that his request for investigation in this matter was based upon the fact that sometime prior to his death, E. L. Doheny, Sr., was known to have numerous ranches and parcels of city property which may or may not be among the assets of his estate at this time. Mr. Martineau was anxious to know what assets are now in the estate, what assets have been disposed of in recent years, the considerations therefor, and in whom title now reposes.

The investigation made to date and covered by this report has been limited to examination of the probate records and to examination of the records in the office of the State Inheritance Tax Department, which included an inventory and appraisement of the estate. During the course of the investigation, Mr. Sam Sewell, Chief Estate Tax Officer, Internal Revenue Service, was interviewed. He advised that to date no return had been made to his service other than an Estate Tax, Preliminary Notice on Form 704, which estimated the value of the estate at $7,750,000.00, consisting of:

Real Estate	$ 150,000.00
Stocks and Bonds	7,500,000.00
All other property	100,000.00

EXAMINATION OF PROBATE RECORDS

Examination was made of Probate File No. 153011 in the office of the County Clerk, Los Angeles, and the following information obtained:

E. L. Doheny, whose full name was Edward Laurence Doheny, and who was also known as Edward L. Doheny, died testate at Los Angeles, California, on September 8, 1935.

In the will dated August 22, 1932, which was filed on September 19, 1935, all property of decedent was left to his wife, Carrie Estelle Doheny. The following were named as executors in the will to serve without bond:

Carrie Estelle Doheny
Robert M. Sands
Olin Wellborn, Jr.

Petition for Probate of Will and Issuance of Letters Testamentary was filed on September 19, 1935, by the three executors. Said petition stated that the decedent left property, both real and personal, in the County of Los Angeles; that the devisees and legatees of decedent were Carrie Estelle Doheny, the sole devisee and legatee, age 60, 8 Chester Place, Los Angeles; that the heirs of the decedent were his wife, Carrie Estelle Doheny, and "in the event and only in the event that any of the estate of decedent was, at the time of his death, his separate estate," the said wife and also:

Lucy Estelle Doheny, granddaughter, age 20
Edward Laurence Doheny, III, grandson, age 18
William Henry Doheny, grandson, age 16
Patrick Anson Doheny, grandson, age 12
Timothy Michael Doheny, grandson, age 8

all in care of Lucy Smith Battson, their mother and guardian, 501 Doheny Road, Beverly Hills, California.

Letters Testamentary were issued on October 3, 1935, and the persons named in the will appointed as executors.

On October 14, 1935 Petition under Section 588 of Probate Code for Instructions and Directions to Executors with respect to Maintenance and Preservation of the Steam Yacht CASIANA was filed by the executors. This petition stated that among the assets of the estate was the steam yacht CASIANA which, upon information and belief, was built in 1908 at Greenock, Scotland, of steel with two decks and an overall length of about 285 feet. The registered length was 254 feet, the registered breadth 33 feet, the registered depth 18.6 feet, while the gross tonnage was 1227.17 tons and the net tonnage 551 tons.

This yacht was last enrolled at the Port of Los Angeles, District of Los Angeles, No. 27, on August 23, 1935, in the name of Edward L. Doheny, and Permanent Consolidated Enrollment and Yacht License, for pleasure, No. 6 was issued, with Cat. No. 1290, Official No. 213590, letters KWTB. The number of the crew, exclusive of the master, was 40 men. The yacht was a twin screw vessel with horsepower of I H P 2500, and used oil for fuel.

It was stated in the petition that the value of this yacht was at least $50,000.00, and petition was made for $1,000.00 per month for the care and preservation of the vessel, which then was tied up alongside the dock at Berth 125, inner harbor, Los Angeles.

On October 14, 1935, Petition for Family Allowance for Widow in the amount of $5,000.00 per month was filed by Carrie Estelle Doheny. This petition alleged upon information and belief that the principal asset of the estate was 166,573 shares of the capital stock of the Petroleum Securities Company, a California corporation. The entire capital of this company was 1,000,000 shares of the par value of $1.00 per share, which was said to be owned by the following:

Carrie Estelle Doheny .... 333,431 shares
Lucy Smith Battson
(Formerly Lucy Smith Doheny) ... 166,667 "

(Continued)

Carrie Estelle Doheny and Lucy Smith Battson (formerly Lucy Smith Doheny) in trust for Lucy Estelle Doheny, Edward Laurence Doheny III, William Henry Doheny, Patrick Anson Doheny, Timothy Michael Doheny, Grandchildren of decedent	166,660 shares
Estate of E. L. Doheny, Jr., deceased - (Lucy Smith Battson, administratrix)	166,666 "
Estate of E. L. Doheny, deceased	166,573 "
Robert M. Sands	1 "
C. Warren Smith	1 "
Olin Wellborn III	1 "
TOTAL	1,000,000 Shares

It was further alleged that there was no established market value for the stock; that there was one sale on August 17, 1934, of 100 shares at $66.00 per share from one member of the Doheny family to another; that the book value as computed from the last balance sheet of the Petroleum Securities Company, as of August 31, 1935, indicated a book value of not less than $56.00 per share; and that on July 31, 1930 in the matter of the estate of E. L. Doheny, Jr., deceased, No. 101995, the stock was appraised at $67.50 per share.

It was further stated in the petition that the assets of the Petroleum Securities Company consisted of the following: Cash $6,129,687.22, Accounts Receivable Considered Collectible $6,576,325.83, and municipal bonds and other securities of present market value of about $28,967,041.75, making a total of $41,673,054.80, upon which basis the book value of each share would be $41.67. In addition the Petroleum Securities Company had other

properties carried at $15,022,801.16. On the basis of $41.67 per share the 166,573 shares held in the estate of E. L. Doheny, deceased, would have a value of $6,941,096.91.

It was further stated in the petition that the only claims properly provable and allowable against the estate would be as follows:

Expenses of last illness, not to exceed	$15,000.00
Funeral expenses, not to exceed	10,000.00
Indebtedness due Petroleum Securities Company, not to exceed	940,000.00
Miscellaneous indebtedness, not to exceed	20,000.00

The following actions were stated to have been pending against desedent at the time of his death:

A. Southern District of California, Central Division No. 6350J at law - William C. McDuffie, as Receiver of Pan American Petroleum Company, a corporation, vs. Edward L. Doheny, in which plaintiff prays judgment for $4,974,327.44 and interest and costs. Under submission on demurrer.

B. Southern District of California, Central Division, No. 6726-H, at law. United States of America vs. Edward L. Doheny, in which plaintiff prays judgment for $9,282,561.85 and interest and costs. Off calendar.

C. Southern District of California, Central Division, No. 6555-C, at Law. James C. Blythe vs. Edward L. Doheny, J. C. Anderson, Fred Ritter, C. W. Smith, R.M. Sands, and Petroleum Securities Company, in which plaintiff prays judgment against each defendant for $55,000 and interest and costs. Demurrer for each and all defendants sustained without leave to amend and judgment entered.

D. Superior Court, Los Angeles County, No. 312851, Hector Gillis and Marion M. Gillis vs. Pan American Western

Petroleum Company, a corporation, Edward L. Doheny, J. C. Anderson, Fred Ritter, C. W. Smith, and R. M. Sands, in which plaintiffs pray judgment against each defendant in the sum of $63,357.50 and interest and costs. At issue but not yet set for trial.

E. Superior Court, Los Angeles County, No. 333236, Alfred Lambert vs. Edward L. Doheny, J. C. Anderson, Fred Ritter, C. W. Smith, R. M. Sands, and Pan American Western Petroleum Company, in which plaintiff prays judgment against each defendant for $4,750.00 and interest and costs. At issue since July 1932 and never set for trial.

F. Superior Court, County of Los Angeles, No. 333237. George Lee vs. Edward L. Doheny, J. C. Anderson, Fred Ritter, C. W. Smith, R. M. Sands, and Pan American Western Petroleum Company, in which plaintiff prays judgment against each defendant for $24,770.00 and interest and costs. At issue since July 1932 and never set for trial.

G. Superior Court, County of Los Angeles, No. 333238, William Stolker vs. Edward L. Doheny, J. C. Anderson, Fred Ritter, C. W. Smith, R. M. Sands, and Pan American Western Petroleum Company, in which plaintiff prays judgment against each defendant for $7,414.00 and interest and costs. At issue since July 1932 and never set for trial.

H. Municipal Court, City of Los Angeles, No. 255128. Theresa Vernetti vs. Edward L. Doheny, J. C. Anderson, Fred Ritter, C. W. Smith, R. M. Sands, and Pan American Western Petroleum Company, in which plaintiff prays judgment against each defendant for $395.00 and interest and costs. At issue since July 1932 and never set for trial.

I. Municipal Court, City of Los Angeles, No. 255129. Florence L. Seawright vs. Edward L. Doheny, J. C. Anderson, Fred Ritter, C. W. Smith, R. M. Sands, and Pan American Western Petroleum Company, in which plaintiff prays judgment against each defendant for $876.00

and interest and costs. At issue since July 1932 and never set for trial.

J. Municipal Court, City of Los Angeles, No. 267264, Clair D. Horner vs. Edward L. Doheny, J. C. Anderson, Fred Ritter, C. W. Smith, R. M. Sands, and Pan American Western Petroleum Company, in which plaintiff prays judgment against each defendant for $1,712.78 and interest and costs. At issue since July 1932 and never set for trial.

K. Proceeding before Department of the Interior, Washington, D. C., Sacramento Contest No.1679, formerly Visalia Contest No. 1645. United States of America vs. State of California, Standard Oil Company of California, Mrs. Sidney H. Greeley, F. J. Carman, Charles O. Fairbank, Edward L. Doheny, Thomas A. O'Donnell, Pan American Petroleum Company, Valley Natural Gas Company, and Associated Oil Company, involving the title to Section 36, Township 30 South, Range 23 East, M. D. B. and M. Decision by Secretary of Interior on January 24, 1935, was adverse to defendants, but petition for rehearing filed and pending.

L. Supreme Court, New York County, New York. National Bondholders Corporation and Henry K. Burns, etc., and Aaron Davis, etc., vs. William B. Joyce, et al., including E. L. Doheny. Filed in June 1935. Doheny mentioned in title of action, but not in complaint, and no relief sought against him. Doheny never served with process.

It was further stated in the petition that among the assets of the estate were certain parcels of improved real estate and the steam yacht CASIANA. Upon information and belief, it was stated that the income of the decedent from the stock owned by him in the Petroleum Securities Company was in excess of $330,000.00 a year.

On October 28, 1935, in open court, Thomas P. White, Judge of the Superior Court of Los Angeles County, ordered allow-

ance of $5,000.00 per month to the widow from September 8, 1935 to continue until October 3, 1936, and thereafter until further order of court. This allowance was made a charge upon the estate both corpus and income.

On October 28, 1935, in open court, Thomas P. White, Judge of the Superior Court of Los Angeles, ordered the executors to pay from the funds of the estate as due and proper expenses of the administration thereof and for preservation of the steam yacht CASIANA the sum of $1,000.00 per month commencing October 1, 1935 and continuing until further order of court.

On January 17, 1936, the executors of the estate filed their petition for certain orders re: premises known as No. 1 Chester Place, Los Angeles. Said property was stated to be included within the assets of the estate and to consist of a parcel of land and a dwelling house thereon and an attached wooden building containing a garage. The real property was described in the petition, and a description of the same is hereinafter set out in this report as Parcel 2 of Real Property in the Inventory and Appraisement of the estate by the State Inheritance Tax Department.

It was alleged, upon information and belief, that the decedent about June 1, 1934, orally leased portions of the above-described real property and the improvements thereon to Ernest H. Potts from month to month at a rental of $100.00 per month. Petition was made to enter into a written lease with Ernest H. Potts from month to month at the same rental. The property to be leased was said to have a frontage of 120 feet and a depth of some 165 feet, and to contain a dwelling house, two and one-half stories in height, with 11 rooms, 5 baths, and a lavatory room. The garage was an attached building one story in height.

On January 31, 1936 the Superior Court of Los Angeles County entered an order approving the petition, as filed, of the executors.

On January 17, 1936 the executors of the estate filed their petition for certain orders re: premises known as No. 21 Chester Place, Los Angeles. Said property was stated to be included within the assets of the estate and to consist of a parcel of land and a dwelling house thereon and a detached wooden

building containing a garage. The real property was described as follows in the petition:

> Lot L of Tract 620, as per map recorded in Book 26 at Page 70 of Maps, in the office of the County Recorder of Los Angeles County, being the property conveyed to the decedent by Jennie H. S. Roe (formerly Jennie H. S. Tufts) as Lot A of Tract 98, as per map recorded in Book 13 at Page 128 of Maps, in the office of the county recorder of Los Angeles County, excepting therefrom that portion thereof covered by Lots A and B of Tract 620, as per map recorded in Book 15 at Page 141 of Maps, in the office of the County Recorder of Los Angeles County, by deed recorded in Book 5748 at Page 83 of Deeds, Records of Los Angeles County.

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The above description varies somewhat from the description of the same property contained in the Inventory and Appraisement filed with the State Inheritance Tax Department and set out hereinafter in this report under Parcel 3 of Real Property.

It was alleged, upon information and belief, that the decedent about August 1, 1934, orally leased portions of the real property and the improvements thereon to Paul Grafe from month to month at a rental of $150.00 per month. Petition was made to enter into a written lease with Paul Grafe from month to month at the same rental. The property to be leased was said to have a frontage of 225 feet, and a depth of some 320 feet, and to contain a dwelling house, two and one-half stories in height, with 17 rooms, 5 baths, and a lavatory room. The garage was a detached building one and one-half stories in height. The second floor of this garage contains two rooms, a bath, and a large attic.

On January 31, 1936, the Superior Court of Los Angeles County entered an order approving the petition, as filed, of the executors.

On April 24, 1936, the executors of the estate sold at private sale to Dr. Roland L. Thompson, Burbank, California, a

regular membership in the Los Angeles Country Club, for $500.00, said sum being the highest and best bid therefor. This sale was confirmed by Arthur Keetch, Judge of the Superior Court of Los Angeles County, on May 21, 1936 and the executors were authorized to pay from the proceeds thereof the sum of $148.50 to the Los Angeles Country Club for amount of charges on dues, taxes, and assessments; and to pay $50.00 to T. B. Crane as commission for procuring the purchaser.

On August 24, 1936, the executors sold at private sale to the Robert Dollar Company, a California corporation, the steam yacht CASIANA, with furnishings, fittings, equipment, stores, materials, and supplies belonging thereto, for $50,000.00 net, said sum being the highest and best bid made therefor. This sale was confirmed on September 8, 1936 by Charles E. Haas, Judge of the Superior Court of Los Angeles County.

In the course of examination of the probate file it was determined that to date of this report the following claims had been filed against the estate:

Claim of Petroleum Securities Company for moneys advanced and disbursements made on account of legal services at request of and in behalf of E. L. Doheny from July 15 to September 7, 1935. (Filed April 14, 1936)	$1,201.79
Claim of Los Angeles Shipbuilding & Drydock Corporation, San Pedro, California	41.20
Claim of Harbor Service Laundry & Dry Cleaners, Balboa, California	58.42
Claim of Cole's Battery & Ignition Service, San Pedro, California	33.33
Claim of Associated Oil Company, Los Angeles	463.28
Claim of Country Club Cleaners & Dyers, Los Angeles	77.00

Claim of Forest Lawn Memorial Park Association, Glendale, California ....$	131.84
Claim of Cunningham and O'Connor, Los Angeles, Funeral Expenses	2,854.38
Claim of Drs. Brem, Zeiler, and Hammack, Los Angeles	11.50
Claim of C. J. Hendry Company, San Pedro, California	218.57
Claim of Sherman Optical Company, Los Angeles ..	8.75
Claim of Frank Trimble, Masseur	205.00
Claim of Nye White Goodman, Dentist, Los Angeles	125.00
Claim of Manual Arts Sales Corporation, Los Angeles	19.32
Claim of Dr. L. G. Visscher, Los Angeles	15,000.00
Claim of Helene Cleary Wilson, Everett, Washington .... (For labor, material, and supplies furnished for real property known as 3222 Grand Avenue, Everett, Washington)	358.56
Claim of International Marine Paint Agency, San Pedro, California	49.44

All of the above claims were filed on Probate Form 28, and were approved for payment, as provided for on the form, by the executors.

In addition to the above, the following claims were filed:

Claim of William C. McDuffie, as Receiver of Pan American Petroleum Company, for $6,974,327.44 with interest at 7%

upon portions and from dates as set out in the claim which was filed for approval on December 5, 1935.

Claim of United States of America executed by Adolphus Andrews, Acting Secretary of the Navy, for $5,188,721.77 with interest at 7% from May 14, 1935, until paid. This claim, filed for approval on March 5, 1936, was based upon the following:

November 29, 1932 – Value of Petroleum, gas, and other hydrocarbons wrongfully extracted, used, or converted by Pan American Petroleum Company from certain lands of the United States wrongfully occupied and drilled		$ 9,282,561.25
May 14, 1935 – Interest from November 29, 1932 to May 14, 1935		1,597,374.80
TOTAL		$10,879,936.05
LESS CREDITS:		
November 5, 1935 – –	$ 191,214.28	
May 14, 1935 – – – –	5,500,000.00	5,691,214.28
AMOUNT OF CLAIM		$ 5,188,721.77

Claim of William G. McDuffie, as Receiver of Pan American Petroleum Company, for $1,742,958.00 and additional contingent claims and claims for interest. This claim, executed and filed on April 3, 1936, was based upon the contingency that in the event the determination of the Secretary of the Interior in Sacramento Contest No. 1679 should become final, and the claimant be required to pay over to the United States of America the value of all oil, gas, and other hydrocarbon substances produced, the claimant to February 29, 1936 would sustain a loss of $802,498.92, being value of substances produced, and of $940,458.08, being cost of development, equipment, and operations. The property involved in Contest No. 1679 was Lots 1 and 2, Section 35, Township 30 South, Range 23 East, Mt. Diablo B & M.

Claim of United States of America, executed and filed on April 3, 1936, by Annette Abbott Adams, Assistant Special Counsel for the United States. The claim was for $80,069.00, being the aggregate of the royalties paid to the decedent up to December 31, 1934, by the Pan American Petroleum Company from substances extracted from Lots 1 and 2 in Section 36, Township 30 South, Range 23 East, M. D. B. and M., wrongfully occupied and drilled.

Claim of Petroleum Securities Company for balance due upon a mutual open and current account from January 16, 1924 to July 1, 1935, plus interest to March 31, 1936, $943,764.57. This claim was filed for approval on April 2, 1936, and was approved by the executors on April 15, 1936.

In view of the fact that the claim of the Petroleum Securities Company for $943,764.57 was one of the larger claims filed against the estate, and the close relationship existing between that company and the decedent, an analysis was made of the items, both charges and credits, entering into such claim. Said analysis follows:

C H A R G E S

3/25/26 to 4/30/35 - Cash to E. L. Doheny	$1,056,875.82
1/16/24 to 4/25/25 - Cash to St. Vincent's Church Building Fund, Los Angeles	$532,450.00
5/26/25 to 5/20/26 - Cash to contractors and others in connection with the building of St. Vincent's Church, Los Angeles	84,534.43
4/14/24 - Cash to Occidental College, one-half endowment for Latin-American History Chair ..	12,500.00
4/22 and 5/4/25 - Cash for restoration of Santa Barbara Mission	15,000.00
7/31/24 - Dividend on 1,959 shares of Pan American Petroleum & Transport B stock charged to Petroleum Securities Company in error by Blair & Company	3,918.00
4/9/26 - Cash to Security Trust & Savings Bank in payment of rental on oil lease	480.00
6/30/25 - Cash for purchase railroad ticket from Los Angeles to New York for member of crew of CASIANA	171.00
8/31/25 - Cash to H. M. Sands and used by him in payment of personal expenses of E. L. Doheny	2,302.28

12/31/25 - 300 Shares Pan American Western Petroleum B stock sold by Petroleum Securities Company to E. L. Doheny at $30.00 per share ....$	9,000.00
5/8/26 - Cash as one-half of contribution of 10,000 pesos to American School Foundation ..	2,455.00
7/1/26 - Cash to H. O. O'Melveney for contribution to Salvation Army	1,000.00
9/24/26 - Cash for miscellaneous expenses of E. L. Doheny	696.78
12/31/26 - Market value of $25,000 par value Pan American Petroleum Company bonds belonging to Petroleum Securities Company given to Bishop Cantwell	26,439.49
6/5/27 - Dividend received by E. L. Doheny on 100 shares Tidewater Associated Oil Company common stock standing in name of E. L. Doheny but belonging to Petroleum Securities Company	30.00
7/5/28 and 10/10/30 - Same on 100 shares Tidewater preferred stock	300.00
9/13/27 to 12/18/28 - Cash to Blair & Company to account of E. L. Doheny or to E. L. Doheny for deposit to his account at Blair & Company	89,955.90
8/31/27 - Cash for attorneys' fees to Hill, Morgan, and Bledsoe	1,800.00
6/15/28 - Interest on loan from Petroleum Securities Company to A. J. Ford, paid by Ford to E. L. Doheny instead of to Petroleum Securities Company	300.00
1/6/29 - Loan, including accrued interest, Petroleum Securities Company to A. J. Ford, transferred to E. L. Doheny	12,300.00
2/26/29 - Loan, including accrued interest, Petroleum Securities Company to W. P. Cunningham, transferred to E. L. Doheny	47,033.00
11/14/27 - Cash paid to Merchants National Trust & Savings Bank for purchase of real estate in Beverly Hills	31,500.00

9/23/29 to 1/31/31 - Cash for railroad transportation or travel expenses .... $ 16,467.08

4/30/30 - Cash for payment of funeral expenses of C. L. Phillips 150.00

9/30/30 - Cash for repairs at No. 8 and No. 21 Chester Place 103.88

12/31/33 - Cash for repairs to real estate of E. L. Doheny in Chester Place 138,434.11

7/31/33 - Cash for contribution to St. Mary's Seminary 554.97

9/8/33 - Cash to Collector of Internal Revenue for additional interest on income tax of E. L. Doheny 53.91

12/22/33 - Cash advanced to pay stamp tax on transfer of 2,000 shares of Pacific Western Stock 20.00

Interest on account at 4% until January 1, 1935 and 1% thereafter 261,818.62

TOTAL CHARGES $2,343,606.37

C R E D I T S

6/30/24 to 6/30/25 - Cash paid by E. L. Doheny at request and for account of Petroleum Securities Company in connection with maintenance of residence at 15 E. 84th St., New York City .... $ 50,581.32

12/31/25 - Balance from St. Vincent's Church Building Fund refunded to Petroleum Securities Company for account of E. L. Doheny 68.09

12/31/25 - Travel expenses paid by E. L. Doheny at request and for account of Petroleum Securities Company 1,146.27

4/30/26 - Assumption by Petroleum Securities Company of rental obligation charged to E. L. Doheny on April 9, 1925 .... 480.00

12/31/26 - Transfer of credit balance due E. L. Doheny from separate books of account kept in connection with Petroleum Securities Company ranches 57,563.34

5/18/27 - Cash received as refund on attorneys' fees to Hill, Morgan, and Bledsoe	$ 293.40
12/31/28 and 4/30/29 - Cash paid by E. L. Doheny at request and for account of Petroleum Securities Company in connection with drilling of Olson No. 1 Well in Wyoming	12,542.14
5/13/29 - Cash paid by E. L. Doheny in connection with oil operations in Texas	3,405.00
2/25/33 - Cash paid by E. L. Doheny in connection with Dorsey lease	21,826.49
5/21/30 to 6/1/35 - Cash from E. L. Doheny on account	776,699.34
12/31/28 to 7/1/35 - Cash from E. L. Doheny to apply on interest	236,725.04
4/1/29 and 4/30/35 - Overcharge of and adjustment of interest	7,143.82
3/19/29 - Purchase by Petroleum Securities Company from E. L. Doheny of stock subscription warrant Security Trust & Savings Bank	10.80
12/31/29 and 4/19/30 - Cash as refund on railroad transportation	42.96
9/2 and 12/31/30 - Cash advanced by E. L. Doheny for payment of salaries at request of Petroleum Securities Company	139,500.07
8/31/30 - Purchase by Petroleum Securities Company from E. L. Doheny of 8 promissory notes, each of face value of $14,542.50 at face value plus accrued interest	116,824.72
12/31/33 - Purchase by Petroleum Securities Company from E. L. Doheny of 2,000 shares of Pacific Western Oil Company stock at $7.50 per share	15,000.00
TOTAL CREDITS	$1,399,840.30

To date of the examination, no inventory of the estate was filed.

EXAMINATION OF INVENTORY AND APPRAISAL

In the office of the State Inheritance Tax Department, State of California, examination was made of File No. 21106, Estate of E. L. Doheny, which contains among other papers copies of the Inventory and Appraisement made in the estate.

The notes of Donald R. Peck, Assistant Inheritance Tax Attorney, contain the following data: That Olin Wellborn, III, and Marc F. Mitchell are attorneys for the estate, that the appraiser was Henry Morrissey, and that the inventory value of the estate was $9,042,563.46. Under transfers, a note appears to the effect that in 1917 decedent gave one-third interest in Petroleum Securities Company to his son and one-third to his wife, retaining one-third. In 1926 he transferred one-half of this one-third to a trust for his grandchildren. There were also cash gifts to his wife and a description of these was to be furnished.

In the file there was also a copy of the Declaration of Trust, dated July 20, 1926, wherein Edward Laurence Doheny and Carrie Estelle Doheny, as trustors, did convey to Edward Laurence Doheny, Carrie Estelle Doheny, Edward Laurence Doheny, Jr., and Lucy Smith Doheny 166,660 shares of the capital stock of the Petroleum Securities Company, a California corporation, in trust for Lucy Estelle Doheny, Edward Laurence Doheny, III, William Henry Doheny, Patrick Anson Doheny, and Timothy Hugh Doheny, children of Edward Laurence Doheny, Jr., and grandchildren of Edward Laurence Dohany, and for any other children as might be born later to Edward Laurence Doheny, Jr. and Lucy Smith Doheny, his wife.

The trust was to continue so long as any one or more of the above-named grandchildren should live and to terminate upon the death of the one of those named who should be last to die. The trustees were then to distribute the property in the trust estate to the lawful heirs then living of Edward Laurence Doheny, Jr., in accordance with the laws of succession and distribution of the State of California of those who die intestate therein; provided, however, that should Edward Laurence Doheny, Jr., outlive all five of his children named, conveyance of the trust property or estate was to be made to him.

The net income of the trust was to be divided quarterly and paid to the beneficiaries. If any named or possible beneficiary died, leaving no lawful heirs of the body, then the interest of that beneficiary ceased, and the surviving beneficiaries were to constitute all beneficiaries under the trust. If the beneficiary dying left surviving lawful heirs of the body, then such heirs were to be beneficiaries and receive the share of the deceased beneficiary. No heir of any heir was to be a beneficiary during the life of the trust.

The trustees named were to continue until only one was left, who was to nominate in writing a successor. Such nominee upon becoming trustee was in like manner to nominate his successor, and so on.

Henry Morrissey, J. R. Pemberton, and Raymond A. Nelson were on February 7, 1936, duly appointed by the Superior Court of Los Angeles County to appraise the estate of the decedent, and executed their oath of office on February 13, 1936. Their appraisal was certified to on July 21, 1936.

In the inventory and appraisement, later set out, it will be noted that the total of the items under each schedule shown are as follows:

Schedule 1	Cash	$ 66,212.94
" 2	Real Property	147,879.00
" 3	Steam Yacht, Furnishings, Etc.	50,000.00
" 4	Stocks	8,761,861.41
" 5	Beneficial Interests in Trusts	2,070.00
" 6	Unsecured Promissory notes	17,244.11
" 7	Unsecured Gold Notes	2,500.00
" 8	Club Memberships	300.00

(Continued)

Schedule 9 - Jewelry	$	445.00
" A - Stocks, believed valueless ...		10.00
" B - Second Mortgage Bonds, believed valueless		50.00
" C - Unsecured Promissory Notes, believed valueless		.00
" D - Unsecured Bonds, believed valueless		.00
" E - Promissory Notes secured by Junior Trust Deeds, believed valueless		.00
" F - Unsecured Promissory Notes, believed valueless		.00
" G - Paid up Stock Subscriptions, believed valueless		.00
" H - Open Accounts, believed valueless		.00
TOTAL APPRAISAL OF INVENTORY		$9,042,563.46

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Mr. Clyde C. Triplett of the Inheritance Tax Department, State of California, Los Angeles, advised that the practice is for the inventory to be prepared by the executors of an estate and then appraised by the appraisers of the Inheritance Tax Department. The original inventory is then returned to the attorneys for the estate to be filed in the Probate Court.

It will be noted that subsequently in this report all assets shown in the inventory and appraisement have been set out

even though such assets were considered worthless by the executors and of no value by the appraisers. This was done in order that all assets of the estate may be reported at this time, which list can be checked as needed with any assets reported at a later date or included in the inventory to be filed with the Federal Estate Tax unit of the Internal Revenue Service.

The following is the inventory and appraisement of the estate:

Schedule 1 - CASH

1.	Security-First National Bank of Los Angeles, 10th and Olympic Branch, Special Savings Account No. 10300 in name of E. L. Doheny ...	$24,723.83
2.	Union Bank and Trust Company of Los Angeles, Account in name of R. M. Sands, Trustee	25,372.28
3.	Schwabacher and Company, brokerage account	10,116.83
	TOTAL	$60,212.94

Schedule 2 - REAL PROPERTY

1. Los Angeles County.

All of Lot "A" of Tract 2751, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 28 at Page 93 of Maps, in the office of County Recorder of said County; except that portion of said Lot "A" lying westerly of a line having a bearing of South 28° 03' West, and a length of 188.36 feet, and beginning at a point in the northerly line of said Lot distant easterly 225.35 feet from the intersection of said northerly line with the center line of St. James Park; and except that portion of said Lot "A" conveyed to the City of Los Angeles for widening of Adams Street, by deed recorded in Book 5953 at Page 227 of Deeds, Records of Los Angeles County; and except that portion of said Lot "A" included within the lines of Lots "A", "B", "C", "E", "F", "G", and "H" of Tract 620, as per maps recorded

in Book 15 at Page 141, Book 15 at Page 184, Book 20 at Page 27, and Book 22 at Page 4, of Maps, in the office of the County Recorder of Los Angeles County; and except that portion of said Lot "A" (of said Tract 2751) included within the lines of Lots 3, 4, and 5, and Lot 5, except the South 20 feet thereof, of Chester Place, according to the map and survey thereof made by V. J. Rowan, surveyor, in January 1899, filed in the office of the County Recorder of Los Angeles County on January 21, 1899, and being Recorder's filed Map No. 134.

Said property was and is described in the respective deeds thereof to the decedent as follows:

Parcel One - (Private drive "Chester Place", the easterly portion of private drive "Twenty-Fifth Street" inside Chester Place gate, and narrow strip abutting Twenty-Third Street for use of Chester Place Gate) - - - - - - - $1,000.00

Lot "J" of Tract No. 620, as per map recorded in Book 22 at Page 8 of Maps, in the office of the County Recorder of Los Angeles County, being the property conveyed to the decedent by Charles Silent and Mary C. Silent, his wife, by deed recorded in Book 5786, at Page 182 of Deeds, Records of Los Angeles County.

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Parcel Two - No. 1 Chester Place - - - - - - - - - - - - - $20,500.00

Lot 23, and the northerly 28.25 feet of Lot 22 of Chester Place, according to the map and survey thereof made by V. J. Rowan, surveyor, in January 1899, filed in the office of the County Recorder of Los Angeles County, on January 21, 1899, and being Recorder's Filed Map No. 134, being the property conveyed to the decedent by Jaro Von Schmidt and Eleanor Von Schmidt, his wife, by deed recorded in Book 5799 at Page 56 of Deeds, Records of Los Angeles County; a parcel or remnant of Chester Place, according to the map and survey thereof made by V. J. Rowan, surveyor, in January 1899, filed in the office of the County Recorder of Los Angeles County, on January 21, 1899, and being Recorder's Filed Map No. 134 (subsequently known as Lot "K" of Tract No. 620, as per map recorded in Book 22 at Page 8 of Maps in the office of the County

Recorder of Los Angeles County), being the property conveyed to the decedent by Charles Silent and Mary C. Silent, by quit claim deed recorded in Book 5316 at Page 122 of Deeds, records of Los Angeles County, and by Jaro Von Schmidt and Eleanor Von Schmidt, his wife, by quit claim deed recorded in Book 5795 at Page 152, of Deeds, Records of Los Angeles County; the westerly 36-11/12ths feet of Lot 34, all of Lots 36, 38, and 40, and the easterly 21 feet of Lot 42 of the Ellis Tract, as per map recorded in Book 10, Page 91, Miscellaneous Records of said County, being the property conveyed to the decedent by John R. Powers and Virginia Day Powers, his wife, by deed recorded in Book 5775 at Page 332 of Deeds, Records of Los Angeles County.

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Parcel Three - No. 21 Chester Place - - - - - - - - - - $14,000.00

Lot "A" of Tract 98, as per map recorded in Book 13 at Page 128 of Maps, in the office of the County Recorder of Los Angeles County, excepting therefrom that portion thereof covered by Lots "A" and "B" of Tract 620, as per map recorded in Book 15 at Page 141, of Maps, in the office of the County Recorder of Los Angeles County (subsequently known as Lot "L" of Tract No. 620, as per map recorded in Book 23 at Page 70 of Maps, in the office of the County Recorder of Los Angeles County), being the property conveyed to the decedent by Jennie H. S. Roe (formerly Jennie H. S. Tufts) by deed recorded in Book 5748 at Page 83 of Deeds, Records of Los Angeles County.

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Parcel Four - Narrow Strip at back of No. 8 Chester Place - - - - - - - - - - - - - - - $ 10.00

West 12.12 feet of Lot 24 of Chester Place, according to the map and survey thereof made by V. J. Rowan, surveyor, in January 1899, filed in the office of the County Recorder of Los Angeles County on January 21, 1899, and being Recorder's filed Map No. 134, being the property conveyed to the decedent by Charles Silent and Mary C. Silent, by deed recorded in Book 1561 at Page 319 of Deeds, Records of Los Angeles County.

(B) Lot "B" of Tract 8751, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 31, Page 1 of Maps.

Said property was described in the deed thereof to the decedent as follows:

Parcel Five - (Westerly portion of private drive "Twenty-Fifth Street") - - - - - - - - $ 250.00

Part of Lot Eight (8) in Block Seventeen (17), Hancock's Survey, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 2, Page 108, Miscellaneous Records of said County, described as follows:

Beginning at the South East corner of Lot "A" of Tract No. 98, as per map recorded in Book 13, Page 128 of Maps, (being also the South West corner of Lot 15 of Chester Place, according to map filed in the Recorder's Office of Said County, January 21, 1899); thence north sixty-one degrees (61°) thirty-four minutes (34') west along the South line of Said Lot "A", two hundred twenty-five and fifteen hundredths (225.15) feet to the south west corner thereof, said point being on the east line of St. James Park, as per map recorded in Book 23, Page 19, Miscellaneous Records of said County; thence south twenty-eight (28°) degrees, three minutes (3') west along said east line of St. James Park, seventy (70) feet to intersect the produced north line of Lot Eighteen (18) of said St. James Park; thence south sixty-one degrees (61°) thirty-four minutes (34') east parallel with the south line of Lot "A" above mentioned, two hundred twenty-four and ninety-two hundredths (224.92) feet, more or less, to the north west corner of Lot fourteen (14) of Chester Place above referred to, said point being also an angle point in the boundary of Lot "J" of Tract Number Six Hundred Twenty, Sheet No. 6, as per map recorded in Book 22, Page 8 of Maps; thence north twenty-eight degrees (28°) fifteen minutes (15') east along the west line of Chester Place, seventy (70) feet to point of beginning; the said described tract being a portion of what is shown on map of Tract Number Ninety-Eight above referred to, as "Twenty-Fifth Street - Private Drive"; being the property conveyed to the decedent by George Aimer Newhall

and Caroline T. Newhall by deed recorded in Book 6110 at Page 280 of Deeds, Records of Los Angeles County.

(C) Lot "C" of the Miner Tract in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 22 at Page 28 of Maps.

Said property was described in the deed thereof to the decedent as follows:

Parcel Six - West Adams Street Rose Garden - - - - - $7,000.00

Part of Lot Eight (8) in Block Seventeen (17) of Hancock's Survey in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 1, Page 62, Records of Surveys of said County, described as follows:

Beginning at a point in the northerly line of Adams Street distant north sixty-one degrees (61°) thirty-four minutes (34') west along said line three hundred fifty (350) feet from the westerly line of Figueroa Street, said point of beginning being the south west corner of a tract of land conveyed to Mrs. S. E. Posey, by deed recorded in Book 1537, Page 94 of Deeds; thence north sixty-one degrees (61°) thirty-four minutes (34') west along said line of Adams Street one hundred (100) feet to the south east corner of a tract of land conveyed to Hulett C. Merritt by deed recorded in Book 1522, Page 252 of Deeds; thence north twenty-eight degrees (28°) one minute (1') thirty seconds (30") east along the easterly line of said land conveyed to Hulett C. Merritt two hundred fifty-five (255) feet, more or less, to the southerly line of a tract of land conveyed to Frank Sabichi, by deed recorded in Book 913, Page 12, of Deeds; thence south sixty-two degrees (62°) three minutes (3') east along the southerly line of said land conveyed to Frank Sabichi one hundred (100) feet to the north west corner of the tract of land conveyed to Mrs. S. E. Posey by deed recorded in Book 1537, Page 94, of Deeds; thence south twenty-eight degrees (28°) one minute (1') thirty seconds (30") west along the westerly line of said land conveyed to Mrs. S.E. Posey two hundred fifty-five (255) feet, more or less, to place of beginning; being the property conveyed to the decedent by Tulita Wilcox Miner and

Randolph H. Miner by deed recorded in Book 5987 at Page 329 of Deeds, Records of Los Angeles County.

(B) An undivided one-half interest, as tenant in common with Carrie Estelle Doheny, in and to all of Lot "A" of Tract 2751, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 28, at Page 93 of Maps, in the office of the County Recorder of said County; except that portion of said Lot "A" lying westerly of a line having a bearing of South 28° 08' west, and a length of 138.36 feet, and beginning at a point in the northerly line of said lot distant easterly 225.35 feet from the intersection of said northerly line with the center line of St. James Park; and except that portion of said Lot "A" conveyed to the City of Los Angeles for widening of Adams Street, by deed recorded in Book 5953 at Page 227 of Deeds, Records of Los Angeles County; and except that portion of said Lot "A" included within the lines of Lots "A", "B", "C", "E", "F", "J", "K", and "L", of Tract 620, as per maps recorded in Book 15, at Page 141, Book 15 at Page 184, Book 22 at Page 8, Book 22 at Page 86, and Book 23 at Page 70, of Maps, in the office of the County Recorder of Los Angeles County; and except that portion of said lot "A" (of tract 2751) included within the lines of Lot 23, and the northerly 28.25 feet of Lot 22 of Chester Place, according to the map and survey thereof made by V. J. Rowan, surveyor, in January 1899, filed in the office of the County Recorder of Los Angeles County, on January 21, 1899, and being Recorder's Filed Map No. 134; and except that portion of said Lot "A" (of said Tract 2751) included within the lines of the westerly 36-11/12ths feet of Lot 34, all of Lots 36, 38, and 40, and the easterly 21 feet of Lot 42 of the Ellis Tract, as per map recorded in Book 10, Page 91, Miscellaneous Records of Los Angeles County; and except that portion of said Lot "A" (of said Tract 2751) included within the lines of the west 12.12 feet of Lot 24 of Chester Place, according to the map and survey thereof made by V. J. Rowan, surveyor, in January 1899, filed in the office of the County Recorder of Los Angeles County on January 21, 1899, and being Recorder's filed Map No. 134.

Said property was described, in the respective deed thereof to the decedent and said Carrie Estelle Doheny, as follows:

Parcel Seven - No. 8 Chester Place - - - - - - - - $105,000.00

That portion of Lot 8, Block 17, of Hancock's Survey, described as follows:

Beginning at the angle point in the easterly line of Lot "D" of Tract 620, as per map recorded in Book 15 at Page 141 of Maps, in the office of the County Recorder of said County, which point is distant south 28° 5' west 255 feet from the most easterly corner of said Lot "D"; thence north 62° 4' west 190.03 feet; thence south 27° 57' west 145.95 feet to the southwesterly line of the land of Alfred Solano and Ella Brooks Solano, his wife; thence south 62° 4' east 189.69 feet, a little more or less, to a point which is south 28° 5' west from the point of beginning; thence north 28° 5' east 145.95 feet to the place of beginning; being the property conveyed to the decedent and Carrie Estelle Doheny by Alfred Solano and Ella Brooks Solano, his wife, by deed recorded in Book 4317 at Page 133 of Deeds, Records of Los Angeles County, (subsequently known as Lot "G" of Tract No. 620 as per map recorded in Book 20, at Page 27, of Maps, in the office of the County Recorder of Los Angeles County); Lot 2 of Chester Place according to the map and survey thereof made by V. J. Rowan, surveyor, in January 1899, filed in the office of the County Recorder on January 21, 1899, and being Recorder's Filed Map No. 134, being the property conveyed to the decedent and Carrie Estelle Doheny by Charles Silent and Mary C. Silent, his wife, by deed recorded in Book 5502 at Page 139 of Deeds, Records of Los Angeles County, (subsequently known as Lot "H" of Tract No. 620 as per map recorded in Book 22, at Page 4, of Maps in the office of the County Recorder of Los Angeles County); and lots 3, 4, and 5 and all of Lot 6 except the southerly 20 feet thereof, all in Chester Place, as per map and survey thereof made by V. J. Rowan, surveyor, in January 1899, filed in the office of the County Recorder on January 21, 1899, and being Recorder's Filed Map No. 134, being the property conveyed to the decedent and Carrie Estelle Doheny by Title Insurance and Trust Company by Deed recorded in Book 13,828 at Page 53 of Official Records of Los Angeles County.

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(E) Parcel Eight - $5.00

A parcel of land one (1) foot wide in the City of Los Angeles, County of Los Angeles, State of California, lying west of and adjoining the east line of St. James Park, as per map recorded in Book 23, Page 19, Miscellaneous Records of said County, bounded on the north by the south line of Lot 19, and on the south by the east prolongation of the north line of Lot 17 of said St. James Park.

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(F) Parcel Nine - $5.00

A strip of land approximately two (2) feet in width off the west side of the north 100 feet of Lot "A" of the Miner Tract, as per map thereof recorded in Book 7 at Page 137 of Maps, Records of Los Angeles County.

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2. KERN COUNTY

(A) Parcel Ten - Greeley Section 36 Property - - - - $100.00

An undivided one-quarter interest, as tenant in common with Thomas A. O'Donnell and Mrs. Sidney H. Greeley, in and to Lots 1 and 2 in Section 36, Township 30 South, Range 23 East, M. D. B. & M. - being the northeast one-quarter of the northeast one-quarter of said section comprising 40 acres, and a fractional tract of approximately 13.57 acres adjoining said 40 acres on the east thereof, - subject to a lease of said property to the Pan American Petroleum Company.

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Schedule 3 - STEAM YACHTS, FURNISHINGS, AND DOCK IMPROVEMENTS.

1. Steam Yacht CASIANA. The description of

this vessel set out is similar in most respects to that already set out before in this report. $50,000.00

2. Steam Yacht CASIANA furnishings, fittings, equipment, stores, materials and supplies.

3. Improvements at Steam Yacht CASIANA berth, being Berth 125, in the inner or west basin of the harbor of Los Angeles, owned by the City of Los Angeles, and leased and operated by its Board of Harbor Commissioners.

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Schedule 4 - STOCKS.

Item 1 - ATLAS CORPORATION ....$ 616.00
A Delaware corporation, 77 shares of common stock, without par value, evidenced by temporary Certificate No. TNCO 28238, issued to Edward L. Doheny on May 3, 1935.

Item 2 - CITIES SERVICE COMPANY 8.00
A Delaware corporation, 4 shares of common stock, without par value, evidenced by Certificate No. WL 52876, issued to Reginald Snodgrass on February 27, 1931, and endorsed in blank to the decedent.

Item 3 - PACIFIC INDEMNITY COMPANY 7,500.00
A California corporation, 500 shares of capital stock, par value $10.00 each, evidenced by Certificate No. A 1647, issued to E. L. Doheny on October 8, 1930.

Item 4 -	PETROLEUM SECURITIES COMPANY .... A California corporation, 166,573 shares of capital stock, par value $1.00 each, evidenced by Certificate No. 35, issued to Edward L. Doheny on August 15, 1934.	$8,714,416.41
Item 5 -	SECURITY-FIRST NATIONAL BANK OF LOS ANGELES .... A National Banking Association, 334 shares of capital stock, par value $25.00 each, evidenced by the following Certificates: No. B 732 for 303 shares issued to E. L. Doheny on May 8, 1929; No. 05875 for 30 shares issued to E. L. Doheny on April 1, 1929; and No. 022922 for 1 share issued to E. L. Doheny on June 25, 1929.	15,447.50
Item 6 -	SOUTHWESTERN PORTLAND CEMENT COMPANY ..... A West Virginia corporation, 133 shares of Eight Per Cent Cumulative Preferred Stock, par value $100.00 each, evidenced by the following Certificates: No. 453 for 20 shares issued to E. L. Doheny on October 1, 1915; No. 588 for 80 shares issued to E. L. Doheny on June 10, 1916; and No. 966 for 33 shares issued to E. L. Doheny on April 18, 1925.	11,305.00
Item 7 -	SOUTHWESTERN PORTLAND CEMENT COMPANY ..... A Virginia corporation, 465½ shares of common stock, par value $100.00 each, evidenced by the following Certificates: No. 477 for 100 shares issued to E. L. Doheny on June 10, 1916; No. 891 for 33 shares issued to E. L. Doheny on April 18, 1925; No. 1050 for 266 shares issued to E. L. Doheny on March 1, 1928; and No. 1211 for 66½ shares issued to E. L. Doheny on December 31, 1934.	12,568.50

Schedule 5 - BENEFICIAL INTERESTS IN TRUSTS

Item 1 -	SECURITY COMPANY .... A California corporation, 69/120,000th beneficial interest in, evidenced by Certificate of Beneficial Interest No. 613 issued to E. L.Doheny on April 1, 1929.	$ 2,070.00

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Schedule 6 - UNSECURED PROMISSORY NOTES

Item 1 -	C. W. SMITH, Maker .... $15,000.00 principal amount and unpaid balance, note dated October 24, 1933, payable on demand, interest at 4% per annum, payable semi-annually, payee: E. L. Doheny.	15,025.00
Item 2 -	ARNOLD BURKELMAN, Maker .... $2,000.00 principal amount and unpaid balance, note dated December 12, 1934, payable one year after date, interest at rate of 4% per annum, payable semi-annually, payee: E. L. Doheny.	2,019.11
Item 3 -	ROBERT A. ETIE, Maker .... $200.00 principal amount and unpaid balance, note dated September 26, 1931, payable on demand, without interest, payee: E. L. Doheny.	200.00

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Schedule 7 - UNSECURED GOLD NOTES

Item 1 -	LOS ANGELES CHAMBER OF COMMERCE GOLD NOTES ... 10 notes each of par value of $1,000.00, Nos. 1902 to 1911, inclusive, each promising to pay to E. L. Doheny, dated February 7, 1922 due on or before February 7,	2,500.00

1932. Maturity dates extended to on or before February 7, 1942 by resolution of December 3, 1931. All interest coupons from and after January 1, 1933 are attached, with interest at 5% per annum.

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Schedule 8 - CLUB MEMBERSHIPS

Item 1 - CALIFORNIA CLUB .... No Value
Resident membership Certificate No. 723 of transferable membership, dated January 21, 1930.

Item 2 - CALIFORNIA YACHT CLUB .... No Value
Honorary membership, not transferable but terminated upon death.

Item 3 - LOS ANGELES ATHLETIC CLUB $100.00
Life membership Certificate No. T 52, dated June 28, 1907, of transferable life membership.

Item 4 - LOS ANGELES COUNTRY CLUB 100.00
Regular membership transferable; not evidenced by certificate.

Item 5 - SANTA BARBARA YACHT CLUB .... No Value
Regular membership, not transferable and terminated upon death.

Item 6 - WESTPORT BEACH CLUB $100.00
Regular membership, not evidenced by certificate of membership.

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Schedule 9 - JEWELRY

Item 1 - One Gold evening watch and chain .... $ 50.00

(Continued)

Schedule 9 - JEWELRY (CONTINUED)

Item 2 - One gold watch ....$ 25.00

Item 3 - One pink pearl scarf pin 50.00

Item 4 - One diamond and ruby scarf pin 300.00

Item 5 - One pair of evening cuff links 10.00

Item 6 - Two tuxedo links 10.00

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In the inventory and appraisement it was stated that the "following are believed by the executors to be absolutely valueless":

SCHEDULE "A" - STOCKS

Item 1 - BROADWAY INVESTMENT COMPANY . . . . No Value
A California corporation, 250 shares of capital stock, par value $100.00 each, evidenced by Certificate No. 19 for 250 shares issued to E. L. Doheny on July 9, 1910.

Item 2 - CHAPULTEPEC LANDS, SOCIEDAD ANONIMA . . . . No Value
A corporation of the Republic of Mexico, 300 shares of capital stock, par value 100 pesos each, evidenced by Certificates Nos. 1, 2, and 3, each for 100 shares, each issued on December 30, 1917.

Item 3 - DOHENY-PACIFIC PETROLEUM COMPANY . . . . No Value
A California corporation, 25333 shares of capital stock, par value $50.00 each, evidenced by Certificate No. 1 for 1 share issued to Edward L. Doheny on September 5, 1917; and Certificate No. 7 for 25,332 shares issued to Edward L. Doheny on September 5, 1917.

Item 4 - ELK HILLS PETROLEUM COMPANY . . . . No Value
A Delaware corporation, 99,500 shares of capital stock, without par value, evidenced by Certificate No. 32 for 99,500 shares, issued to E. L. Doheny on April 21, 1931.

Item 5 - HOME RANCH PETROLEUM COMPANY $10.00
A California corporation, 27,780½ shares of capital stock, par value $1.00 each, evidenced by Certificate No. 5 for 1 share issued to O. D. Bennett on February 1, 1917, and endorsed in blank; Certificate No. 7 for 27,779 shares issued to E. L. Doheny on August 15, 1917; and Certificate No. 14 for ½ share issued to E. L. Doheny on July 2, 1918.

Item 6 - THE EDARD COMPANY, LIMITED . . . . No Value
A New Jersey Corporation, 1,500 shares of capital stock, par value $1.00 each, evidenced by Certificate No. 34 for 1,500 shares, issued to E. L. Doheny on July 6, 1909.

Item 7 - INDEMNITY TITLE AND TRUST COMPANY . . . . No Value
A California corporation, 1 share of capital stock, par value $100.00 each, evidenced by Certificate No. 5 for 1 share, issued to E. L. Doheny on April 23, 1902.

Item 8 - LOS ANGELES COUNTY FARM LANDS COMPANY . . . . No Value
A California corporation, 10 shares of capital stock, par value $100.00 each, evidenced by Certificate No. 79 for 10 shares issued to D. O. Bennett on January 15, 1915, and endorsed in blank.

Item 9 - MENLO OIL COMPANY . . . . No Value
An Arizona corporation, 10 shares of capital stock, par value $1.00 each, evidenced by Certificate No. 40 for 10 shares issued to E. L. Doheny on February 25, 1908.

Item 10 - MEXICAN NATIONAL GAS COMPANY . . . . No Value
A Delaware corporation, 1,035 shares of common stock, par value $100.00 each, evidenced by Certificate No. 232 for 5 shares issued to Edward L. Doheny on September 15, 1911; Certificate No. 247 for 975 shares issued to E. L. Doheny on January 18, 1912; Certificate No. 258 for 50 shares issued to E. L. Doheny on November 7, 1912; and Certificate No. 262 for 5 shares issued to E. L. Doheny on February 26, 1913.

Item 11 - MISSION PLAYHOUSE CORPORATION . . . . No Value
A California corporation, 150 shares of preferred stock, par value $100.00 each, evidenced by Certificate No. 28 for 150 shares issued to E. L. Doheny on October 1, 1926.

Item 12 - SACRAMENTO VALLEY SUGAR COMPANY . . . . No Value
A California corporation, 625 shares of capital stock, par value $100.00 each, evidenced by Certificate No. 140 for 615 shares issued to Edward L. Doheny on September 24, 1913; and Certificate No. 141 for 10 shares issued to I. M. Danziger on September 24, 1913, and endorsed in blank.

Item 13 - Sheepshead Bay Speedway Corporation . . . . . No Value
A New York corporation, 600 shares of common stock, par value $10.00 each, evidenced by Certificate C 536 for 600 shares issued to Edward L. Doheny on November 17, 1915.

Item 14 - SHEEPSHEAD BAY SPEEDWAY CORPORATION . . . . . No Value
A New York corporation, 1,000 shares of preferred stock, par value $10.00 each, evidenced by Certificate No. P 569 for 1,000 shares issued to Edward L. Doheny on November 17, 1915.

Item 15 - STANDARD METAL MINING AND MILLING COMPANY . . . No Value
A New Mexico corporation, 325 shares of capital stock, par value $1.00 each, evidenced by Certificate No. 120 for 325 shares issued to C. B. Henze on November 24, 1926, and endorsed in blank.

Item 16 - UNION CONSOLIDATED GOLDMINES COMPANY . . . . No Value
A California corporation, 500 shares of capital stock, par value $1.00 each, evidenced by Certificate No. 106 for 500 shares issued to Edward L. Doheny on January 9, 1903.

Item 17 - WILSHIRE-COMMONWEALTH CORPORATION, LTD. . . . . No Value
A Delaware corporation, 100 shares of common stock, without par value, evidenced by Certificate No. A 581 for 100 shares issued to Edward L. Doheny on March 1, 1931.

Item 18 - WILSHIRE-COMMONWEALTH CORPORATION, LTD. . . . . . No Value
A Delaware Corporation, 100 shares of preferred stock, par value $100.00 each, evidenced by Certificate No. A 581 for 100 shares issued to Edward L. Doheny on March 1, 1931.

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SCHEDULE "B" - SECOND MORTGAGE BONDS

Item 1 - ELKS BUILDING ASSOCIATION OF LOS ANGELES $50.00
Second mortgage six per cent serial Gold Bonds. $50,000.00 in principal amount, dated March 1, 1927, interest payable on the first days of March and September; there are 77 of said bonds, of which 54 are of the par value of $500.00, aggregating $27,000.00, bearing the Nos. D 201 to D 254, both inclusive, and maturing March 1, 1942; and of which 23 are of the par value of $1,000.00, aggregating

$23,000.00, bearing the Nos. M 28 to M 50, both inclusive, and maturing March 1, 1944; none of said bonds are registered. All interest coupons from and after March 1, 1933 are attached.

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SCHEDULE "C" - UNSECURED PROMISSORY NOTES

Item 1 - MAURICE G. CLEARY, Maker . . . . No Value
$13,785.39 principal amount and unpaid balance. Note dated at Los Angeles, California, March 23, 1932, note matured one day after date, interest at 6% per annum, payable quarterly, payee: Edward L. Doheny.

Item 2 - EARL A. MAGINNIS, Maker . . . . No Value
$7,440.00 principal amount and unpaid balance, note dated at Los Angeles, California, April 17, 1934, note matured one year after date, interest at rate of 6% per annum, payable semi-annually, payee: E. L. Doheny.

Item 3 - KEAN ST. CHARLES, Maker . . . . No Value
$6,375.00 principal amount and unpaid balance, note dated at Los Angeles, California, September 17, 1932, note matured one day after date, interest at rate of 4% per annum, payable semi-annually, payee: E. L. Doheny.

Item 4 - G. E. LAUGHERY, Maker . . . . No Value
$4,000.00 principal amount and unpaid balance, note dated at Los Angeles, California, December 29, 1933, note matured April 2, 1934, interest at rate of 6% per annum, payable monthly, payee: Bank of America National Trust and Savings Association, assigned to E. L. Doheny without recourse by said Bank.

Item 5 - FRANK E. McCLURE, Maker . . . . No Value
$1,000.00 principal amount and unpaid balance, note dated at Los Angeles, Calif., April 22, 1935, note matured six months after date, interest at rate of 5% per annum, payable at maturity, payee: E. L. Doheny.

Item 6 - FRANK E. McCLURE, Maker . . . . No Value
$500.00 principal amount and unpaid balance, note dated at Los Angeles, Calif., December 9, 1932, note matured one day after date, interest at rate not specified, payable semi-annually, payee: E.L. Doheny.

Item 7 - E. F. WATT, Maker . . . . No Value
$500.00 principal amount and unpaid balance, note dated at Estacion Manuel, Tamaulipas, Mexico, July 5, 1934, note matured January 5, 1936, interest at rate not specified, payable upon dates not specified, payee: E. L. Doheny.

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In the inventory and appraisement it was also stated that the "following are also believed by the executors to be absolutely valueless, and, were it not so, they are barred by the Statutes of Limitation":

SCHEDULE "D" - UNSECURED BONDS

Item 1 - THE IDAHO COMPANY, LIMITED, BONDS . . . . No Value
$5,000.00 in principal amount, dated January 2, 1909, principal due January 1, 1917, interest payable on the first days of January and July; together with all interest coupons thereon from and after July 1, 1913. Ten bonds of the par value of $500.00 each, Nos. 57 to 66, both inclusive, and all registered in the name of E. L. Doheny.

SCHEDULE "E" - PROMISSORY NOTES SECURED BY JUNIOR TRUST DEEDS

Item 1 - MAIER BREWING COMPANY, EDWARD R. MAIER AND KATHLEEN S. MAIER, Makers . . . . No Value

$40,000.00 principal amount, $16,000.00 unpaid balance. Dated at Los Angeles on July 16, 1928, with interest from date of note on unpaid principal at the rate of 12% per annum, payable monthly. Principal payable in installments of $1,000.00, on the 18th day of each and every month, beginning on the 18th day of August 1928 and continuing to and including January 18, 1929, then $1,500.00 per month, beginning February 18, 1929, and continuing up to and including July 18, 1929, then $25,000.00 payable April 1, 1930, payable to order of J. V. H. Challis and assigned by him to E. L. Doheny, without recourse, on May 22, 1930; secured by deed of trust recorded in Book 8620 at Page 286 of Official Records of Los Angeles County; partial reconveyances of all property described in said deed of trust, except Parcel 5 therein described, were issued by trustee on or before May 23, 1930; said deed of trust, as to Parcel 5, was subject to a prior deed of trust of record for $60,000.00 in favor of Pacific Indemnity Company, and sale under said last-mentioned deed of trust was had and trustee's deed upon sale recorded on November 17, 1934.

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SCHEDULE "F" - UNSECURED PROMISSORY NOTES . . . . No Value

Item 1 - ANDREW H. BAILEY, SR., Maker . . . . No Value

$37.50 principal amount and unpaid balance. Dated at Los Angeles on April 24, 1931, interest at 4% per annum, payable on demand to E. L. Doheny.

Item 2 - W. A. CLARK, Maker . . . . No Value
$250.00 principal amount and unpaid balance. Dated at Los Angeles on February 2, 1928, matured July 1, 1928, interest at 5% per annum, payee: E. L. Doheny.

Item 3 - H. G. CLUNN, Maker . . . . No Value
$136.53 principal amount and unpaid balance. Dated at Los Angeles on January 22, 1931, interest at 4% per annum, payable semi-annually, payable on demand to E. L. Doheny.

Item 4 - T. A. COLLINS, MAKER . . . . No Value
$1,500.00 principal amount and unpaid balance. Dated at Los Angeles on May 10, 1928, interest at 6% per annum, payable semi-annually, payable on demand to E. L. Doheny.

Item 5 - CHARLES H. DICK, Maker . . . . No Value
$250.00 principal amount and unpaid balance. Dated at Los Angeles on August 24, 1926, matured September 24, 1926, interest at 6% per annum, payee: E. L. Doheny.

Item 6 - ZEFERINO DOMINQUEZ, Maker . . . . No Value
$2,500.00 principal amount and unpaid balance. Dated at New York on September 13, 1920, payable on demand, without interest, to Edward L. Doheny.

Item 7 - MRS. J. H. EDMONDS AND GLENN D. EDMONDS, Makers . No Value
$1,500.00 principal and unpaid balance. Dated at Los Angeles on July 14, 1924, matured six months after date, interest at 6% per annum, payee: E. L. Doheny.

Item 8 - MRS. M. B. HERELEY, Maker . . . . No Value
$500.00 principal amount and unpaid balance. Dated at New York on April 17, 1922, payable on demand, to Mr. E. L. Doheny.

Item 9 - THE IDAHO COMPANY, LIMITED, Maker . . . . No Value
$2,000.00 principal amount and unpaid balance. Dated at Chicago on June 19, 1910, matured five months after date, interest at 6% per annum after maturity, payee: E. L. Doheny.

Item 10 - J. M. KELLERMAN, Maker . . . . .No Value
$100.00 principal amount and unpaid balance. Dated at Los Angeles on January 31, 1928, matured six months after date, interest at 6% per annum, payee: E. L. Doheny.

Item 11 - ARTHUR LOEB, Maker . . . . .No Value
$150.00 principal amount and unpaid balance. Dated at Los Angeles on October 23, 1925, matured six months after date, without interest, payee: E. L. Doheny.

Item 12 - C. W. LYKE, Maker . . . . No Value
$50.00 principal amount and unpaid balance. Dated at Los Angeles on September 14, 1927, interest at 5% per annum, payable on demand to E. L. Doheny.

Item 13 - ED. R. MAIER, Maker . . . . .No Value
$50,000.00 principal amount and unpaid balance. Dated at Los Angeles on September 15, 1927, matured two years after date, interest at 5% per annum until paid, payee: E. L. Doheny.

Item 14 - JOHN J. MANGIN, Maker . . . . No Value
$500.00 principal amount and unpaid balance. Dated at New York on May 31, 1921, matured one year after date, payee: E.L. Doheny.

Item 15 - JOHN J. MANGIN, Maker . . . . No Value
$100.00 principal amount and unpaid balance. Dated at New York on November 28, 1921, matured twelve months after date, interest at 6% per annum, payee: E. L. Doheny.

Item 16 - H. MEAD, Maker . . . . No Value
$200.00 principal amount and unpaid balance. Dated at Los Angeles on April 14, 1924, matured three months after date, interest at rate of 6% per annum, payee: E. L. Doheny.

Item 17 - MEXICAN NATIONAL GAS COMPANY, Maker . . . . . No Value
$3,800.00 principal amount and unpaid balance; dated Los Angeles on March 17, 1913, matured three months after date, interest at 6% per annum until paid, payee: E. L. Doheny.

Item 18 - MEXICAN NATIONAL GAS COMPANY, Maker . . . . . No Value
$10,000.00 principal amount and unpaid balance. Dated at Los Angeles on July 1, 1913, matured three months after date, interest at 6% per annum until paid, payee: E. L. Doheny.

Item 19 - MEXICAN NATIONAL GAS COMPANY, Maker . . . . . No Value
$3,000.00 principal amount and unpaid balance. Dated at Los Angeles on July 2, 1913, matured three months after date, interest at 6% per annum until paid, payee: E. L. Doheny.

Item 20 - MEXICAN NATIONAL GAS COMPANY, Maker . . . . . No Value
$10,000.00 principal amount and unpaid balance. Dated at Los Angeles on August 1, 1913, matured three months after date, interest at 6% per annum until paid, payee: E. L. Doheny.

Item 21 - MEXICAN NATIONAL GAS COMPANY, Maker . . . . . No Value
$10,000.00 principal amount and unpaid balance. Dated at Los Angeles on August 1, 1913, matured three months after date, interest at 6% per annum until paid, payee: E. L. Doheny.

Item 22 - MEXICAN NATIONAL GAS COMPANY, Maker . . . . . No Value
$100,000.00 principal amount and unpaid balance. Dated at Los Angeles on August 1, 1913, matured three months after date, interest at 6% per annum until paid, payee: E. L. Doheny.

Item 23 - MEXICAN NATIONAL GAS COMPANY, Maker . . . . . No Value
$100,000.00 principal amount and unpaid balance. Dated Los Angeles on August 1, 1913, matured three months after date, interest at 6% per annum until paid, payee: E. L. Doheny.

Item 24 - MEXICAN NATIONAL GAS COMPANY, Maker . . . . . No Value
$42,515.98, principal amount and unpaid balance. Dated at Los Angeles on August 1, 1913, matured three months after date, interest at 6% per annum until paid, payee: E. L. Doheny.

Item 25 - MEXICAN NATIONAL GAS COMPANY, Maker . . . . . No Value
$5,000.00 principal amount and unpaid balance. Dated at Los Angeles on August 7, 1913, matured three months after date, interest at 6% per annum until paid, payee: E. L. Doheny.

Item 26 - MEXICAN NATIONAL GAS COMPANY, Maker . . . . . No Value
$12,500.00 principal amount and unpaid balance. Dated at Los Angeles on August 8, 1913, matured three months after date, interest at 6% per annum until paid, payee: E. L. Doheny.

Item 27 - MEXICAN NATIONAL GAS COMPANY, Maker . . . . . No Value
$50,000.00 principal amount and unpaid balance. Dated at Los Angeles on September 15, 1914, interest at rate of 7% per annum payable quarterly, payable on demand to Edward L. Doheny.

Item 28 - W. A. SHARP, Maker . . . . No Value
$1,000.00 principal amount and unpaid balance. Dated at Los Angeles on October 12, 1926, matured six months after date, interest at 5% per annum, payee: E. L. Doheny.

Item 29 - TOM WILKINSON, Maker . . . . No Value
$100.00 principal amount and unpaid balance. Dated at Los Angeles on January 30, 1931, matured April 1, 1931, interest at 4% per annum payable semi-annually, payee: E. L. Doheny.

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In the inventory and appraisement it was also stated that the "following are believed by the executors to be practically if not entirely valueless":

SCHEDULE "G" - PAID UP STOCK SUBSCRIPTIONS

Item 1 - CALIFORNIA WESTERN HOLDING COMPANY, LTD., AND THE RITZ CARLTON HOTEL COMPANY OF HOLLYWOOD, LTD., known as THE RITZ CARLTON HOTEL PROJECT OF HOLLYWOOD . . . . . . No Value
During his lifetime, the decedent paid $50,000.00 cash for 294 plus units of shares of the above corporations under unit subscription agreement of January 15, 1929. He also paid $1,500.00 to the project as a portion of a loan not to exceed $15,000.00 to the California Western Holding Company, Ltd., under an agreement of July 27, 1933. Said loan was evidenced by a certain promissory note in the amount of $10,499.50 of said California Western Holding Company, Ltd., to J. Y. Baruh as trustee, dated August 1, 1933, and payable on or before two years from its date with interest at the rate of six per cent per annum.

SCHEDULE "H" - OPEN ACCOUNTS

Item 1 - JOHN McCORMACK, April 20, 1932 - $3,000.00 - - No Value

Item 2 - JUNIPERO SERRA BOYS CLUB, June
2, 1931 - $1,000.00 - - No Value

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"Consent to Transfer" was issued by the Inheritance Tax Department in each of the following instances:

Term Account No. 521-135 in the sum of $48,969.72, in the name of Mrs. E. L. Doheny or E. L. Doheny at the Fifth and Spring Office of the Security-First National Bank of Los Angeles.

Term Account No. 29207 in the sum of $78,784.79, in the name of Mrs. E. L. Doheny or E. L. Doheny at the Union Bank and Trust Company, Los Angeles.

Account No. 447297 in the sum of $33,695.60, in the name of Mrs. E. L. Doheny or E. L. Doheny at the Fifth and Spring Office of the Security-First National Bank of Los Angeles.

Commercial accounts in the sums of $17,242.98, $20,051.20, and $84,841.65, in the names of Mr. and Mrs. E. L. Doheny at the Tenth and Flower Streets Branch of the Security-First National Bank of Los Angeles.

Amount of $8,220.12 in the name of Mr. and Mrs. E. L. Doheny at the Head Office of the Citizens National Trust and Savings Bank of Los Angeles.

It will be noted that the above-named joint accounts of Mr. and/or Mrs. E. L. Doheny totaled $291,806.04, and consent was given to transfer the same to the person lawfully entitled thereto, or Mrs. E. L. Doheny.

UNDEVELOPED LEADS

LOS ANGELES OFFICE

AT LOS ANGELES, CALIFORNIA, will discuss with Mr. L. R. Martineau, Jr., Special Assistant to the Attorney General, Roosevelt Building, Los Angeles, the information obtained as set out in this report.

At this interview the extent of the inquiry desired to determine what assets may have been transferred in contemplation of death or to prevent the collection of any judgments should also be discussed and determined.

- P E N D I N G -

Los Angeles, California.
October 1st, 1936.

Special Agent in Charge
New York City, N. Y.

Dear Sir:

Re: Pan American Petroleum Company et al. Fraud Against the Government. L. A. File 46-59

The Los Angeles Bureau Office is conducting an investigation to determine what assets were in the estate of E. L. Doheny, the oil magnate, who died at Los Angeles on September 8, 1935. The United States of America has filed one claim against the estate in the amount of $5,188,721.77 and another claim in the amount of $80,069.00.

In the course of examination in the Superior Court, Los Angeles, of the Probate record of this estate, and particularly a claim of the Petroleum Securities Company, it was ascertained that E. L. Doheny between June 30, 1924, and June 30, 1926, paid cash totaling $30,581.32 at the request of and for the account of the Petroleum Securities Company in connection with the maintenance of a residence at 15 East 84th St., New York City.

It is requested that your office make appropriate inquiry to obtain the legal description of the above property to ascertain the value of the same, to determine in whose name title now reposes and for how long it has so reposed, and to learn what interest E. L. Doheny may have had in this property during his lifetime, and how such interest was disposed of.

Please forward to the Los Angeles Office six copies of your report covering the above requested investigation.

Very truly yours,

62-25711

J. H. HANSON
Special Agent in Charge.

JHH:EG
cc Bureau

K

Los Angeles, California.
October 1st, 1936.

Special Agent in Charge
Portland, Oregon.

Dear Sir:

Re: Pan-American Petroleum Company et al, Fraud Against the Government.
L. A. File 46-59

The Los Angeles Bureau Office is conducting an investigation to determine what assets were in the estate of E. L. Doheny, the oil magnate, who died at Los Angeles on September 8, 1935. The United States of America has filed one claim against the estate in the amount of $6,188,721.77 and another claim in the amount of $80,069.00.

In the course of examination of the Probate Record in the Superior Court, Los Angeles, of this estate it was ascertained that Helene Cleary Wilson, Everett, Washington, had filed a claim for $368.56 for labor, material and supplies furnished for real property known as 3222 Grand Avenue, Everett, Washington.

It is requested that your office make appropriate inquiry at Everett, Washington, to obtain the legal description of the above property to ascertain the value of the same, to determine in whose name title now reposes and for how long it has so reposed, and to ascertain what interest E. L. Doheny may have had in this property during his lifetime and how such interest was disposed of.

Please forward six copies of your report to the Los Angeles office.

Very truly yours,

J. H. HANSON 62-25711-
Special Agent in Charge.

JHR:HG
cc Bureau

905 Pacific Commerce Building
437 South Hill Street
Los Angeles, California
September 28th, 1936.

Mr. L. R. Martineau, Jr.,
Special Assistant to the Attorney General,
Roosevelt Building,
Los Angeles, California.

Dear Sir:

Re: Pan-American Petroleum Company, etal
Fraud Against the Government
L. A. File 46-59

I am enclosing herewith for your information a copy of the report of Special Agent J. H. Roche, Los Angeles, dated September 23, 1936, which covers investigation made by him of the records of the Probate Department of the Superior Court of Los Angeles County and of the inventory and appraisement filed in the office of the State Inheritance Tax Department, Los Angeles, all in the matter of the estate of E. L. Doheny, deceased.

Very truly yours,

J. H. HANSON
Special Agent in Charge.

JHR:RG
Incl
cc Bureau

62-25711

JOHN EDGAR HOOVER
DIRECTOR

N-[illegible]

U. S. Department of Justice
Bureau of Investigation
Washington, D. C.

VWH:HOB November 27, 1931.

11 27 31 PM

MEMORANDUM FOR THE DIRECTOR

69-
345-

On the 24th instant, Mr. Hochman, Executive Secretary of the Parole Board, requested by telephone that the Bureau make available to the Parole Board its files, if any, on Albert B. Fall. I advised Mr. Hochman that I doubted if we had any files of substance as we made no investigation of the Fall matter. Subsequently I ascertained from the Files Division that we have only one main file on Albert B. Fall, it being 69-345, which is of a miscellaneous character, and only concerns a report to the effect that Fall had been permitted privileges while serving a sentence. The Files Division, however, advised that there are a number of cross index cards showing that Fall had been mentioned in other files.

In view of this information from the Files Division, I called Mr. Hochman on the phone and notified him of the fact that the Bureau had no files of substance on Albert B. Fall.

Respectfully,

[signature]

V. W. Hughes.

RECORDED

DEC 1 1931

69-345-6
BUREAU OF INVESTIGATION
NOV 30 1931 P.M.
DEPARTMENT OF JUSTICE
FILE

August 8, 1931.

Memorandum re telephone call from Sanford Bates.

Mr. Bates called to discuss certain portions of the investigation which Mr. [illegible] recently conducted and on which he thought the Agent had gone a little wild. Mr. Bates said the report had been submitted to the Attorney General and that he thought he would have a supplemental memorandum prepared setting forth the true facts about these two matters. Mr. Bates said he knew, of course, that it was not intentional. Mr. Bates also mentioned that Frank [illegible], a former prisoner, had claimed to have information but that it was not desired to secure it from him due to his reputation.

Mr. [illegible] said he had received a reply from [illegible] to the effect that [illegible] had not been located. It was decided to drop the case at this point as it would be useless to go to New Mexico to look into the matter. Mr. Bates said he did not see how [illegible] could go to his ranch without being seen.

[illegible]

62-345-5

[illegible] AUG [illegible] P.M.

FILE

69-345-4 RECORDED [illegible]

[illegible] August 11, [illegible]

AUG 13 1931

69-345

MEMORANDUM FOR THE DIRECTOR, BUREAU OF PRISONS

[illegible]

Very truly yours,

[illegible]

Encl. [illegible]

Room [illegible]
Securities [illegible] Bldg.
[illegible]

U. S. Department of Justice

Bureau of Investigation

Omaha, Nebr.,
Aug. [illegible], 1931.

69 385

Mr. J. Edgar Hoover,
Director,
Bureau of Investigation,
Department of Justice,
Washington, D. C.

Dear Sir:

AUG 13 1931

Receipt is acknowledged of your letter of August the 6th, 1931, enclosing photostat of a postcard addressed to the Attorney General and signed by Jas. D. Gleason, in which the writer states that he has returned from [illegible] and knows from first hand information that convict Albert B. Fall is not living in the prison.

Immediately upon receipt of your letter, I instituted an investigation at Omaha, in an effort to locate James D. Gleason, but was not successful and wired you to that effect on August the 8th. In my efforts to locate Mr. Gleason, a very careful search was made by the Post Office Officials at Omaha, but they could locate no mail address for him, and [illegible] General Delivery, Omaha. I continued the investigation by checking the directories, both City and Telephone, and I contacted several persons by the name of Gleason residing in Omaha, including one James Gleason, who I found to be a [illegible], and he had not been out of the city in recent months.

I extended the investigation by examining the [illegible] records and the records of the Election Commissioner for Omaha and Douglas County, and by inquiry at the Identification Bureau of the Omaha Police Department and of the Secretary in charge of the Labor Temple. There was no record at any of these places of James D. Gleason.

Inquiry was made of the Post Office and Police Department in the City of Council Bluffs, Iowa, and the City Directory examined, with the result that no information was obtained that would enable me to locate James D. Gleason for interview.

In the investigation at the office of the Election Commissioner, the signatures of all persons by the name of Gleason were compared with the signature of James D. Gleason on the postcard, and there were no similarities in the handwriting.

J. Edgar Hoover - #2.

I do not believe that I can be successful in locating James B. Gleason unless some information is received indicating his street address or place of employment.

Very truly yours,

W. E. [illegible],
Special Agent in Charge.

[illegible]

[illegible]

07-345

69-345

August 6, 1931.

AUG 11 1931

MEMORANDUM FOR DIRECTOR, BUREAU OF PRISONS.

I am attaching hereto a copy of a telegram received from my Agent in Charge at Omaha concerning the efforts that are being made to locate James B. [illegible]mann, who recently addressed a communication to the Department concerning certain alleged liberties being accorded Albert B. Fall, ex-Secretary of Interior.

We will continue to endeavor to locate this party but in the mean time I would like to know whether you want any inquiry initiated in New Mexico. If so, please advise me and I will be very glad to take care of it.

Very truly yours,

Encl. 79769 Director.

No

200

AUG 7 1931 DEPT OF JUSTICE

[illegible]

CT COLLECT ... 111

INVESTIGATION DEPT OF JUSTICE

... LETTER AUGUST FOURTH HAVE ... COUNCIL ... DIRECTIONS ... TOWARDS ... LOCATE SUBJECT ...

AUG 11 1931

AUG 11

69-345

August [illegible]

Memorandum re telephone call to Mr. Bates.

Mr. Bates asked that an agent from Omaha endeavor to ascertain the whereabouts of James [illegible]leeson, who wrote postal card to Attorney General re treatment being accorded Albert B. Fall.

Mr. Hoover said he would write immediately.

MOB.

69-345-2

AUG 7 [illegible]

69-345-1

[illegible]

RECORDED & INDEXED

August 4, [illegible]

[illegible]

Dear [illegible]:

[illegible]

[illegible]

[illegible]

[illegible] Director.

Aug. Gen'l Mitchell.

Aug 1, 1924

Sir:- I have just returned from New Mexico and I have from first hand information that Convict Albert B. Fall is not living in the prison, but spends the time on his ranch.

Jas. B. Gleason,

THIS SIDE OF CARD IS FOR ADDRESS

Attorney Gen'l of U.S.
U.S. Capitol,
Washington, D.C.